



TaxNewsFlash

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IRS practice unit: Land developers and subcontractors—proper method of accounting

The IRS Large Business and International (LB&I) division yesterday publicly released an updated “practice unit” on the completed contract method of accounting under section 460—part of a series of IRS examiner “job aides” and training materials intended to describe for IRS agents leading practices about tax concepts in general and specific types of transactions. This practice unit supersedes the March 20, 2019 practice unit with the same title.

The “concept” unit (as referred to by the IRS) is titled “*Land Developers and Subcontractors - Proper Method of Accounting*” and provides a high-level summary of issues with respect to the completed contract method of accounting often used by land developers and their subcontractors to account for their construction contracts.

The practice unit is available on the [IRS practice unit webpage](#) (dated November 19, 2024) and “reflects the updated citation referenced on slide 6. The Tax Cuts and Jobs Act (TCJA) redesignated IRC 460(e) paragraphs (4), (5) and (6) as (3), (4), and (5), respectively.” Such paragraphs were redesignated as part of TCJA’s expansion of the eligibility for certain taxpayers to use the completed contract method instead of the percentage of completion method under section 460.

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