



# TaxNewsFlash

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## Rev. Proc. 2026-17: Transition guidance under sections 163(j) and 168(k) for excepted trade or business elections

The IRS today released [Rev. Proc. 2026-17](#) to provide transition guidance under sections 163(j) and 168(k) for taxpayers who previously elected under section 163(j)(7) to be treated as an electing real property trade or business, electing farming business, or excepted regulated utility trade or business, but who now wish to withdraw the election in light of the various amendments to sections 163(j)(8) and 168(k) under the “One Big Beautiful Bill Act” (OBBA).

- Section 4 allows certain taxpayers to withdraw a prior election under section 163(j)(7) made for tax years beginning in 2022, 2023, or 2024, and thus make associated depreciation adjustments under section 168.
- Section 5 allows a taxpayer withdrawing an election under section 4 to make a late election under section 168(k)(7) to elect out of bonus depreciation with respect to any class of property that includes depreciable property affected by the election withdrawn under section 4.
- Section 6 allows taxpayers to revoke or make a controlled foreign corporation (CFC) group election without regard to the 60-month limitation under Treas. Reg. § 1.163(j)-7(e)(5)(ii) for the first specified period of a specified group beginning after December 31, 2024.
- Section 7 allows eligible partnerships, subject to the rules of subchapter C of chapter 63 of the Code (BBA partnerships), to file an amended Form 1065 rather than an administrative adjustment request (AAR) for partnership tax years that began in 2022, 2023, or 2024, subject to certain conditions.

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