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IRS CREATES SAFE-HARBOR FOR THE DEDUCTION OF M&A SUCCESS BASED FEES

The Internal Revenue Service has created a safe-harbor election under Revenue Procedure 2011-29 to allow taxpayers to allocate seventy percent (70%) of the success-based fees paid in business acquisitions or reorganization as a deduction against current ordinary income. If the election is made, the remaining thirty percent (30%) must be capitalized. This election can be made for success-based fees incurred in years ending on or after April 8, 2011. This Revenue Procedure clears up the uncertainty that has existed in how to allocate these fees.