

Defining Issues[®]

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FASB Reduces Nonpublic Entities' Disclosures for Uncertainty in Income Taxes

Nonpublic entities do not have to comply with two disclosure requirements for income tax uncertainties, and all entities have additional implementation guidance on accounting for income tax uncertainties, under a new FASB Accounting Standards Update.¹ The Update rescinds for nonpublic entities the requirements to disclose a table reconciling the total amount of unrecognized tax benefits at the beginning and end of the periods presented and to disclose the total amount of unrecognized tax benefits that would change the effective tax rate in the event they were recognized. Nonpublic entities are still required to apply all other disclosure requirements for income tax uncertainties, including the requirement to disclose information about tax positions for which it is reasonably possible that the unrecognized tax benefit will significantly change in the next 12 months.

The rescission of the disclosure requirements applies to reporting entities that meet the definition of “nonpublic entity” in ASC 740-10-20. An entity is nonpublic if its financial statements are not filed with a regulatory agency in preparation for the sale of any class of securities; its debt or equity securities are not traded in a national, regional, or local public market, including a stock exchange or over-the-counter market; and it is not a conduit bond obligor for conduit debt securities that are traded in a domestic or foreign stock exchange or an over-the-counter market, including a local or regional market.

The new implementation guidance pertains to determining whether income tax paid by an entity is attributable to the entity or its owners, determining what constitutes a tax position for a pass-through or tax-exempt not-for-profit entity, and accounting for uncertainty in income taxes in consolidated or combined financial statements containing both taxable and nontaxable entities. The guidance is presented in examples of how to apply the requirements of ASC 740-10 and is not intended to change practice for those already applying the requirements.

¹ FASB Accounting Standards Update No. 2009-06, Implementation Guidance on Accounting for Uncertainty in Income Taxes and Disclosure Amendments for Nonpublic Entities, and FASB ASC Topic 740, Income Taxes (FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes), both available at www.fasb.org.



The Update is effective for interim and annual periods ending after September 15, 2009, if the reporting entity is currently applying ASC 740-10 (Interpretation 48). It is effective for annual periods beginning after December 15, 2008, if the reporting entity deferred applying ASC 740-10.

The descriptive and summary statements in this newsletter are not intended to be a substitute for FASB Accounting Standards Update No. 2009-06 or any other cited or potential accounting literature or SEC regulations. Companies applying GAAP or filing with the SEC should apply the texts of the relevant laws, regulations, and accounting requirements, consider their particular circumstances, and consult their accounting and legal advisors.

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