

## Accounting for Income Taxes | Quarterly Hot Topics

### US Federal

Tax News & Views, published by the Deloitte Tax LLP Tax Policy group in Washington, DC, provides a compact, reader-friendly perspective on the latest tax developments coming out of Congress affecting businesses and high-wealth individuals.

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### **IRS issues modified procedural guidance for method changes to comply with section 174**

On December 29, 2022, Treasury and IRS released [Rev. Proc. 2023-11](#), which modifies and supersedes [Rev. Proc. 2023-8](#), the recently released procedural guidance for taxpayers to make an automatic change in method of accounting for research and experimental (R&E) expenditures in order to comply with the mandatory capitalization requirement under [section 174](#), effective for tax years beginning after December 31, 2021. Rev. Proc. 2023-11 removes audit protection for taxpayers who delay making the change to the tax year immediately subsequent to the taxpayer's first tax year beginning after December 31, 2021.

For additional details, please see the [Deloitte Tax Alert](#) dated January 3, 2023.

### In this edition:

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## IRS releases initial corporate AMT guidance

On December 27, 2022, the Treasury and the IRS released [Notice 2023-7](#) announcing their intent to issue proposed regulations addressing the application of new corporate alternative minimum tax (CAMT). The new CAMT, which was added to the Internal Revenue Code (IRC) by the enactment of the Inflation Reduction Act (IRA) on August 16, 2022, provides a 15% corporate AMT on “adjusted financial statement income” (AFSI) of applicable corporations effective for taxable years beginning after December 31, 2022. Sections 3 through 7 of the Notice provide interim clarifying guidance that covers time-sensitive issues concerning application of the CAMT.

For additional details, please see the [Deloitte Tax Alert](#) dated December 30, 2022.

## IRS releases interim guidance on new 1% excise tax on repurchases of corporate stock

On December 27, 2022, the Treasury and the IRS released [Notice 2023-2](#) announcing their intent to issue proposed regulations addressing the application of [new section 4501](#), also from the IRA, which imposes an excise tax of 1% on repurchases of stock by certain publicly traded corporations beginning after December 31, 2022. To provide taxpayers with interim guidance until publication of the proposed regulations, the Notice describes certain rules and procedures that the Treasury and the IRS intend to include in the proposed regulations.

For additional details, please see the [Deloitte Tax Alert](#) dated December 30, 2022.

## IRS releases final regulations excepting certain partnership-related items from the centralized partnership audit regime

On December 9, 2022, the Treasury and the IRS published [final regulations](#) (T.D. 9969) in the Federal Register to except certain partnership-related items (PRIs) from the Bipartisan Budget Act of 2015 (BBA) and set forth alternative rules that will apply to the examination of excepted items by the

IRS. The BBA does not apply to a PRI if the item involves a special enforcement matter, as described by the final regulations. Additionally, the final regulations make changes regarding the adjustment of non-income items. The final regulations adopt, with revisions, the [proposed regulations](#) published on November 24, 2020.

## IRS releases proposed foreign tax credit regulations

On November 18, 2022, the Treasury and IRS released much-anticipated [proposed regulations](#) regarding the foreign tax credit. These regulations would revise final regulations published in the Federal Register on January 4, 2022 that are effective for taxable years beginning on or after December 28, 2021 (TD 9959). The proposed regulations were published in the Federal Register on November 22, 2022 and are generally proposed to apply to taxable years ending on or after the date the regulations are filed with the Federal Register (November 18, 2022). Taxpayers generally can elect to apply the proposed regulations retroactively to taxable years beginning on or after December 28, 2021 and ending before November 28, 2022, provided that they consistently apply all of the proposed regulations to such taxable years. The proposed regulations would provide a narrow exception to the “retribution asset” rule under [Treas. Reg. § 1.861-20\(d\)\(3\)\(v\)\(B\)](#) related to certain disregarded sales or exchanges of property, but primarily address creditability issues under [Treas. Reg. §§ 1.901-2](#) and [1.903-1](#). Specifically, the proposed regulations would revise the “cost recovery requirement” under [Treas. Reg. § 1.901-2\(b\)\(4\)](#) and the source-based attribution rule for withholding taxes imposed on royalties under [Treas. Reg. §§ 1.901-2\(b\)\(5\)\(i\)\(B\)](#) and [1.903-1\(c\)\(2\)](#).

For additional details, please see the [Deloitte tax@hand article](#) dated November 21, 2022.

## DC Circuit affirms that a partnership that is profitable only after claiming tax incentives is bona fide

In the case of [Cross Refined Coal, LLC, et al. v. Commissioner](#), No. 20-1015, the DC Circuit Court of Appeals ruled that a partnership

formed to conduct activity made profitable only by tax credits engaged in legitimate business activities for US federal income tax purposes. The DC Circuit concluded that all of the partnership’s members shared in the profits and losses and had a meaningful stake in the partnership and rejected the IRS’s argument that the partnership needed to have a reasonable expectation of pretax profit to be considered bona fide.

For additional details, please refer to the November 2022 issue of [IRS Insights](#).

## Tax court upholds closing agreement entered into with the IRS

In the case of [Smith v. Commissioner](#), the tax court rejected the taxpayer’s attempts to invalidate a closing agreement he entered into with the IRS. Under [section 7121\(a\)](#), the IRS is authorized to enter into agreements with taxpayers regarding their tax liability for a specific tax period. These agreements are called “closing agreements.” Closing agreements are “final and conclusive.” Courts strictly enforce closing agreements because closing agreements are intended to ensure the “finality of liability for both the taxpayer and the IRS.” A closing agreement can be invalidated only if there is “fraud, malfeasance, or misrepresentation of material fact.”

For additional details, please refer to the November 2022 issue of [IRS Insights](#).

## Potential extended statute of limitations for omission of certain income

On September 21, 2022, the IRS Large Business and International (LB&I) division issued a [memo](#) (LB&I-04-0922-0019) on the application of [section 965\(k\)](#), which extends the statute of limitations on assessment for section 965 issues. Although the memo acknowledged that section 965(k) applies only to extend the statute of limitations for items that affect the section 965 net tax liability, it also provides that the omission or underreporting of a [section 965\(a\)](#) inclusion could cause [section 6501\(e\)\(1\)\(C\)](#) to apply.

## US multistate

### **Multiple states enact legislation addressing technologies specified in Federal IRA and CHIPS Acts**

Idaho, Illinois, Massachusetts, and New York enacted bills addressing technologies specified in two federal economic development laws—the Creating Helpful Incentives to Produce Semiconductors Act (CHIPS Act) and the IRA.

For a summary of the state credits and incentives related bills recently enacted by these states, please refer to the October 6, 2022, edition of [Multistate Tax Alert](#).

### **Colorado: Colorado taxpayer must include accounts receivables subsidiary on state combined return**

In an unpublished opinion, the Colorado Court of Appeals held that a Colorado-based parent of a group of entities operating worldwide must include its wholly owned accounts receivables securitization subsidiary on its Colorado combined corporate income tax return, affirming that the subsidiary qualified as an “includable C corporation” under state law because more than 20% of its property was located in the United States.

For additional details, please refer to the December 2, 2022, edition of [State Tax Matters](#).

### **Governor issues proclamation on voter-approved corporate income tax rate reduction**

Pursuant to Colorado's statewide election on November 8, 2022, Colorado Governor Jared Polis issued a proclamation declaring the vote for a voter-approved ballot measure that lowers the state income tax rate (including state corporate income tax rate) from 4.55% to 4.40% applicable for taxable years beginning on or after January 1, 2022. Voter-approved ballot measures take effect upon such declarations.

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#)

### **Florida: Service provider permitted to source receipts out of state based on costs of performance**

In a case involving an out-of-state service provider that is a subsidiary of a nationwide online and brick-and-mortar retailer, a Florida circuit court held in favor of the subsidiary, concluding that it provided sufficient documentation in the form of employee payroll apportionment workpapers to show that the service receipts at issue may be sourced outside Florida based on costs of performance.

For additional details, please refer to the December 2, 2022, edition of [State Tax Matters](#).

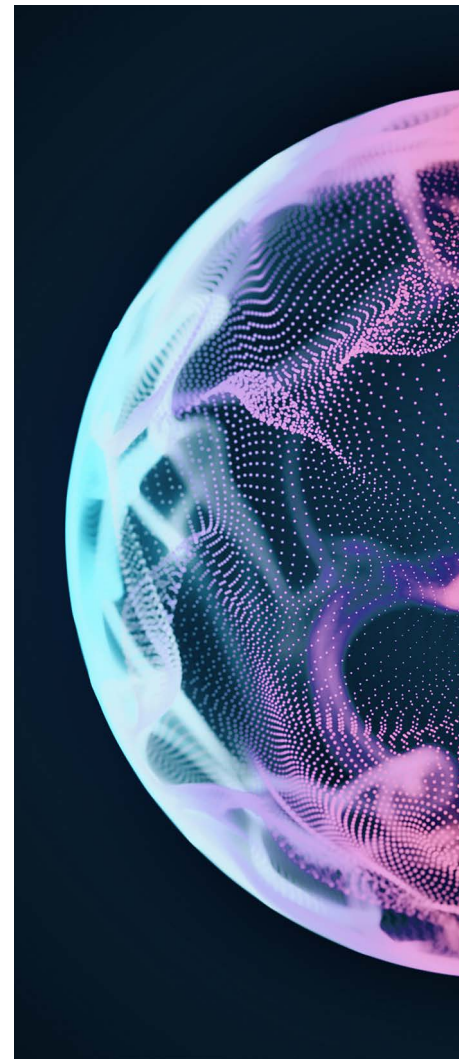
### **Illinois: DOR addresses tax treatment of R&D expenditures and cryptocurrency transactions**

The Illinois Department of Revenue explains that Illinois conforms to the changes to IRC [section 174](#) involving research and development (R&D) costs as enacted under the 2017 Tax Cuts and Jobs Act and federal tax treatment of cryptocurrency as property and that for P.L. 86-272 and apportionment purposes, cryptocurrency transactions are treated as sales of intangible property.

For additional details, please refer to the October 28, 2022, edition of [State Tax Matters](#).

### **DOR addresses use of alternative apportionment on sale of right to receive payments and goodwill**

The Illinois Department of Revenue posted two letter rulings addressing application of alternative apportionment for Illinois corporate income tax purposes involving income received from the sale of the right to receive future contingent payments and involving gross receipts arising from an occasional sale of assets used in the regular course of business that generated a gain in goodwill.



For additional details, please refer to the October 28, 2022, edition of [State Tax Matters](#).

### **Indiana: DOR explains definition and computation of foreign source dividend deduction**

The Indiana Department of Revenue issued a bulletin addressing the foreign source dividend deduction for Indiana adjusted gross income tax purposes, providing an explanation of which amounts the dividend may include depending on the tax year at issue, and how to compute the deduction depending on the voting stock ownership percentage and Indiana filing method.

For additional details, please refer to the December 9, 2022, edition of [State Tax Matters](#).

### **Iowa: New rule implements state law that contingently reduces corporate income tax rates**

The Iowa Department of Revenue adopted a new rule implementing recent law changes that contingently adjust Iowa's corporate income tax rates for a given year if certain net corporate income tax proceed thresholds are met in the immediately prior fiscal year.

For additional details, please refer to the October 14, 2022, edition of [State Tax Matters](#).

### **DOR says parent's gain from sale of Q-Sub stock may be excluded from Q-Sub's income**

The Iowa Department of Revenue issued a declaratory order concluding that, under the provided facts, gain realized by a parent S corporation (which was not subject to Iowa franchise tax) for the sale of stock of a wholly owned qualified subchapter S subsidiary (Q-Sub) that is a financial institution may be excluded from the calculation of the Q-Sub's net income for Iowa franchise tax purposes.

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#).

### **Massachusetts: High court rules for retailer in cookie nexus case**

The Massachusetts Supreme Judicial Court held that an internet retailer did not have the required physical presence to be liable for the state's sales and use tax, finding that Wayfair should not be applied retroactively.

For additional details, please refer to the linked [court ruling](#).

### **Michigan: Computing pro forma FTI for unitary business group members filing federal consolidated return**

The Michigan Department of Treasury issued a bulletin addressing the composition of a Michigan unitary business group and calculation of the pro forma federal taxable income (FTI) of each member to be used as the starting point for the required filing of a Michigan combined corporate income tax return, including some examples illustrating federal versus state differences and required adjustments.

For additional details, please refer to the December 16, 2022, edition of [State Tax Matters](#).

### **Minnesota: Tax court holds gain involving goodwill is business income based on unitary principles**

The Minnesota Tax Court held that a nonresident individual's income stemming from goodwill generated by the sale of her stock ownership interests in two S corporations pursuant to an election under IRC [section 338\(h\)\(10\)](#) constituted income of a unitary business subject to apportionment at the entity level.

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#).

### **New Jersey : Division of Taxation explains income excluded from CBT return under tax treaty**

An updated administrative notice addresses income excluded from a New Jersey corporation business tax (CBT) return that was exempt from federal taxation pursuant to a treaty with a foreign nation, adding that for CBT taxpayers filing on a worldwide group basis, the income from foreign corporations and foreign non-corporate entities is included in entire net income without regard to any treaty protections.

For additional details, please refer to the December 9, 2022, edition of [State Tax Matters](#).

### **New law addresses federal partnership audit adjustments, S Corp elections, and of limitations**

New law makes various state gross income and corporation business tax-related changes by addressing how and when some partnerships must report federal tax adjustments to the New Jersey Division of Taxation; eliminating the requirement to affirmatively elect New Jersey S corporation status; and ending COVID pandemic-related statute of limitations extensions concerning certain state taxes.

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#).

### **New York: Taxpayer must include royalty payments received from foreign affiliates in tax base**

The New York Supreme Court, Appellate Division, Third Department unanimously affirmed that while certain payments received by a taxpayer from its foreign affiliates constituted royalties, such royalty payments could not be excluded under a former statutory royalty exclusion in effect in computing its Article 9-A corporation franchise tax combined return entire net income.

For additional details, please refer to the October 28, 2022, edition of [State Tax Matters](#).

### **MTA surcharge rate and nexus thresholds for Article 9-A taxpayers to remain the same in 202**

A New York Department of Taxation and Finance memorandum provides that the metropolitan transportation business tax surcharge rate for Article 9-A taxpayers will remain at 30%, as well as the nexus thresholds for deriving receipts from activity in New York State and in the Metropolitan Commuter Transportation District.

For additional details, please refer to the December 9, 2022, edition of [State Tax Matters](#).



## Telecom's combined group fails to establish it is a QETC

In a case involving a telecom and its affiliates filing Article 9-A New York combined returns for the prior tax years at issue and reporting corporation franchise tax due on the entire net income base, an administrative law judge held that the combined group failed to show it was a qualified emerging technology company (QETC) under state law and thus was ineligible to utilize a reduced tax rate.

For additional details, please refer to the December 16, 2022, edition of [State Tax Matters](#).

## North Carolina: DOR summarizes law changes on net worth calculation, intercompany loans, and NOLs

The North Carolina Department of Revenue issued a summary of recent tax legislative changes, including a bill enacted in 2022 providing that the net worth of a foreign entity filing a federal income tax return is based on the value of assets deemed to be in the United States, as well as clarifying technical corrections pertaining to certain net loss calculations and intercompany loans.

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#).

## Oklahoma: Emergency rules reflect option for immediate and full expensing of qualified property

New emergency rules implement state law that allows 100% bonus depreciation or full expensing for Oklahoma corporate income tax purposes on eligible qualified property or qualified improvement property under IRC [section 168](#), applicable for taxable years beginning after December 31, 2021, for electing Oklahoma taxpayers with eligible property. The emergency rules are effective through September 14, 2023, unless superseded by another rule or disapproved by the Legislature.

For additional details, please refer to the October 21, 2022, edition of [State Tax Matters](#).

## Oregon: DOR amends rule to clarify process for calculating capital loss deduction

The Oregon Department of Revenue amended a rule to clarify the process for calculating an Oregon capital loss deduction, providing that a federal capital loss deduction should be added back to federal taxable income before net operating losses and special deductions when computing the Oregon capital loss deduction for Oregon corporate income tax purposes. The amended rule took effect on January 1, 2023.

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#).

## Portland metro area localities pass ordinances that include market-based sourcing

To maintain conformity among the three jurisdictions' tax laws, the Metropolitan Service District, Multnomah County, and City of Portland, Oregon, have adopted changes to their respective business income tax ordinances that conform to Oregon's single sales factor apportionment and market-based sourcing provisions.

For additional details, please refer to the October 7, 2022, edition of [State Tax Matters](#); the November 4, 2022, edition of [State Tax Matters](#); the October 6, 2022, edition of [Multistate Tax Alert](#); and the November 4, 2022, edition of [Multistate Tax Alert](#).

## Pennsylvania: New law permits 20-year NOL carryforwards under City of Philadelphia BIRT

Effective immediately and applicable to net operating losses (NOLs) incurred in 2022 and each year thereafter, the new law increases the NOL carryforward period from three years to 20 years under the City of Philadelphia business income and receipts tax (BIRT).

For additional details, please refer to the November 11, 2022, edition of [State Tax Matters](#).

## City of Philadelphia ordinance fixes error to lower business tax rate a year earlier

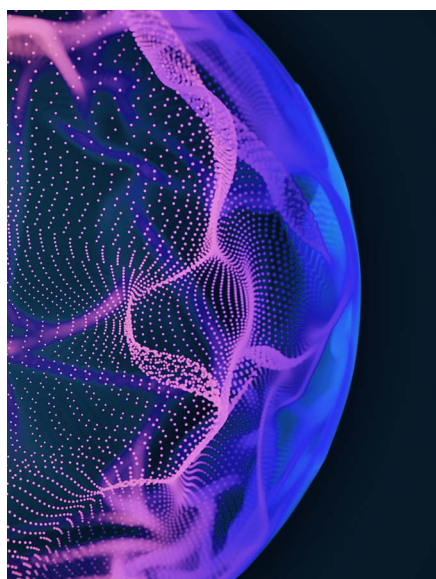
Following enactment of the City of Philadelphia's Fiscal Year 2023 Budget bill earlier this year that incorporated several tax rate reductions, subsequently signed ordinances fix the "mistake" in identifying when some of the tax rate reductions begin to apply. For BIRT purposes, the rate on the net income portion will now drop from 6.2% to 5.99% beginning for tax year 2022, for returns due and taxes owed in 2023 and thereafter.

For additional details, please refer to the December 2, 2022, edition of [State Tax Matters](#).

## Commonwealth court reverses ruling on invalid NOL cap and remedy to hold refunds are due

In a case involving application of the percentage cap for "net loss carryover" (NLC) deductions contained under Pennsylvania law for the 2014 tax year at issue following the Pennsylvania Supreme Court's 2017 decision deeming the NLC deduction invalid and 2021 holding on the appropriate remedy, an en banc Pennsylvania Commonwealth Court sustained the taxpayer's exceptions to its earlier panel ruling and remanded the case for issuance of a state corporate net income tax refund.

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#).



### **Rhode Island: Division of Taxation warns against offsetting bonus depreciation addback with passive losses**

The Rhode Island Division of Taxation issued an advisory cautioning against the practice of reducing Rhode Island's bonus depreciation "addback" adjustment for any passive losses unavailable on the federal income tax return due to the federal statutory loss limitations clarifying that Rhode Island taxpayers "must follow the federal treatment for passive losses."

For additional details, please refer to the January 6, 2023 edition of [State Tax Matters](#).

### **Texas: On remand, appellate court affirms district court ruling on sourcing satellite radio subscription receipts**

On remand from the Texas Supreme Court's holding that a taxpayer properly computed its apportionment factor for Texas franchise tax purposes by sourcing receipts to Texas based on where its programs were produced, the Texas Third Court of Appeals, Austin, affirmed the district court's ruling holding that the taxpayer may rely on cost-of-performance data to apportion its subscription receipts for services performed in Texas.

For additional details, please refer to the November 18, 2022, edition of [State Tax Matters](#).

## **International**

This compilation is intended to be an overview of major international tax developments during the quarter that may have ASC 740 implications. For more summaries of other current international income tax news and developments for the current quarter, please refer to the additional publications listed at the end of this section.

### **Multiple jurisdictions**

#### **OECD**

#### **EU formally adopts Pillar Two directive**

On December 16, 2022, the Council of the European Union issued a [press release](#) confirming the formal adoption by [written procedure](#) of four pieces of legislation, including the Pillar Two directive on ensuring a global minimum level of taxation for multinational enterprise groups and large-scale domestic groups in the EU. The adoption is the final step in the Council's legislative process for these pieces of legislation. The Pillar Two directive will enter into force on the day following that of its publication in the Official Journal of the European Union and will have to be transposed into member states' national law by the end of 2023. The income inclusion rule will apply to years beginning from December 31, 2023, and the undertaxed profits rule will apply a year later, for years beginning from December 31, 2024.

For additional details, please see the Deloitte [tax@hand article](#) dated December 16, 2022.

#### **Belgium**

#### **Key tax measures in Federal Budget 2023**

On October 11, 2022, the Belgian federal government reached an agreement on the Belgian Federal Budget for 2023 and 2024. The measures agreed upon must be transformed into (pre-) draft legislation, adopted by parliament, and published in the state gazette before they are enacted.

For an overview of some of the key tax and social security proposals, please see the Deloitte [tax@hand article](#) dated October 14, 2022, but it should be noted that many aspects and details of the measures are yet to be confirmed.

#### **Croatia**

#### **United States, Croatia sign income tax treaty**

On December 7, 2022, the US Department of Treasury and Croatia signed a comprehensive income [tax treaty](#) between the two countries. The treaty will eliminate withholding taxes on cross-border payments to pension funds and payment of interest, reduce tax withholdings on cross-border payments of dividends and royalties, provide anti-abuse provisions to prevent non-taxation and treaty shopping, and standardize the exchange of information to help regulatory authorities in both countries to fully function in their roles as tax administrators. The Treaty will go into effect after the United States and Croatia have completed the required domestic procedures, including ratification by the US senate.

#### **Germany**

#### **Upper house approves amended extraterritorial taxation rules**

On December 16, 2022, the German upper house of parliament (Bundesrat) approved the Annual Tax Act 2022 after the lower house of parliament (Bundestag) provided its approval on December 2022. The law includes a significant reduction of the scope of German extraterritorial taxation of royalty payments between nonresidents (referred to as offshore receipts in respect of intangible property or ORIP) and intellectual property (IP) transfers by nonresidents (referred to as extraterritorial capital gains taxation or ETT) where German-nexus IP exists solely as the result of the registration of rights in a German public book or register.

For additional details, please see the Deloitte [tax@hand article](#) dated December 16, 2022.

## Hong Kong

### Proposed amendments to the draft legislation for FSIE regime

Shortly after the introduction of the bill regarding foreign-sourced income exemption (FSIE) regime in late October 2022, the European Union raised its concerns regarding certain exclusions of covered taxpayers in the bill. In this regard, the Hong Kong SAR government proposed to make some amendments to the bill.

For additional details, please see the Deloitte [article](#) dated October 29, 2022.

## Ireland

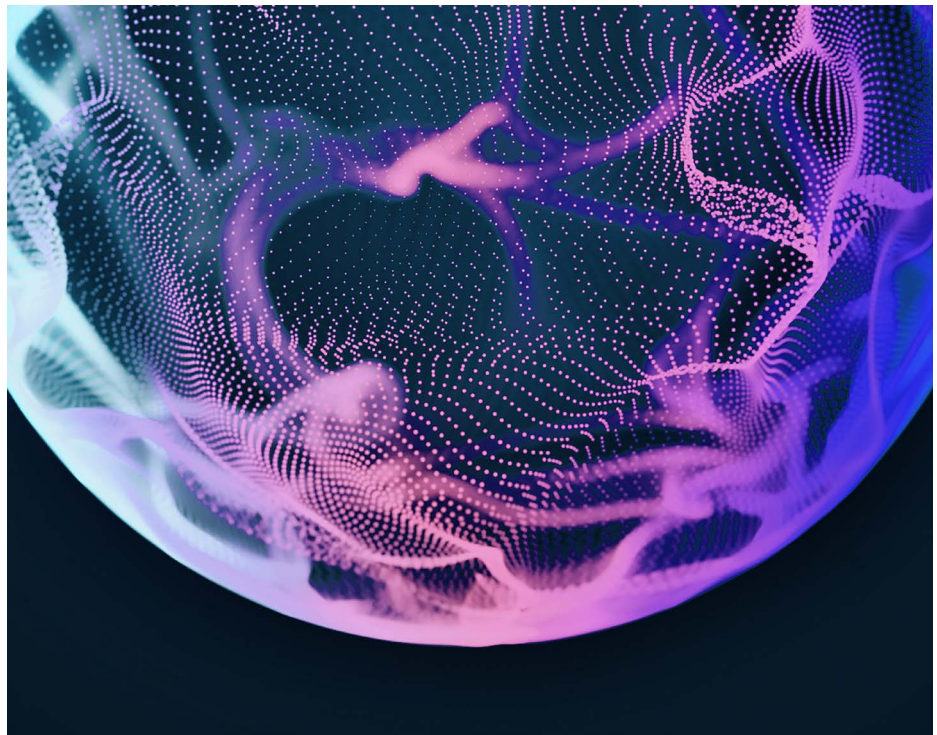
### Finance Act 2022 signed into law

On December 15, 2022, Ireland's Finance Act 2022 was signed into law. The measures contained in the [Finance Act 2022](#) are reflective of the key challenges outlined in Budget 2023, with the focus on inflation and the rising cost of living, the housing crisis, and climate change and sustainability.

## Italy

### 2023 budget law enacted, including certain measures relevant to multinational groups

Italy's 2023 budget law was published in the Italian official gazette on December 29, 2022, and its provisions generally entered into force on January 1, 2023 and generally are applicable as from the same date. The budget law contains several tax provisions that could be relevant to multinational groups with Italian activities, such as provisions relating to the definition of a permanent establishment, the tax treatment of certain inbound dividends, the introduction of rules relating to the taxability of certain capital gains from transfers of participations in companies whose value principally is derived from Italian immovable property ("land-rich rules"), and the settlement of certain assessment procedures with the Italian tax authorities. Among other things, the budget law also includes provisions allowing a significant reduction in administrative penalties in certain cases where taxpayers voluntarily correct tax violations; establishing the temporary



solidarity contribution for 2023 that applies to surplus profits of Italian entities operating in certain industries; and amending the computation of the solidarity contribution for 2022 (which may require certain entities to pay additional tax for 2022).

For additional details, please see the Deloitte [tax@hand article](#) dated January 9, 2023.

## Japan

### 2022 tax reform changes to scope of earnings stripping rules and the potential impact on Japanese real property investment by foreign investors

The scope of the Japanese earnings stripping rules was expanded to cover direct investment in Japanese real property by foreign investors for fiscal years commencing on or after April 1, 2022. This change could adversely affect the after-tax profitability of such an investment. This article discusses such a potential impact with an illustrative example.

For additional details and a discussion of potential impact with an illustrative example, please see the Deloitte [Japan Tax & Legal Inbound Newsletter](#) dated September 2022.

## Korea

### 2022 Tax Revision Bill

On December 23, 2022, a proposed 2022 Tax Revision Bill originally announced by the Ministry of Economy and Finance (MOEF) in July 2022 was officially passed by the Korean National Assembly. The legislation includes among others, lowering of corporate tax rates and introduction of a global minimum tax regime.

For additional details, please see the Deloitte [tax@hand article](#) dated December 25, 2022

## Luxembourg

### 2023 budget law submitted to parliament

On October 12, 2022, Luxembourg's finance minister presented the draft 2023 budget law to parliament, including direct and indirect tax measures. As indicated in the draft law, the government currently does not have sufficient visibility and budgetary margin to implement the major tax reform that had been expected. However, the draft budget law would provide some relief measures and clarify certain tax provisions, such as the reverse hybrid rule (article 168quater of the Luxembourg Income Tax Law (LITL)).



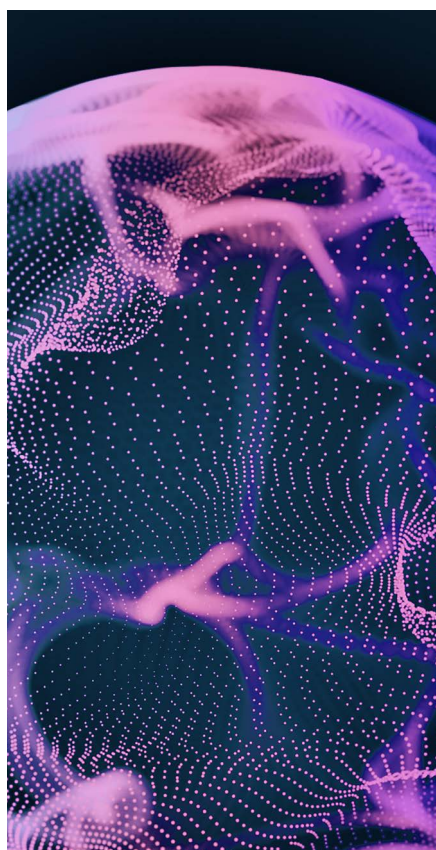
For additional details, please see the Deloitte [tax@hand article](#) dated October 13, 2022.

## United Kingdom

### Autumn Finance Bill 2022: Commons stages completed

The UK Autumn Finance Bill 2022, the brief bill to enact a small number of key tax changes announced in November's Autumn Statement, received its second reading in the House of Commons on November 28, 2022, and completed its remaining Commons stages on November 30, 2022. Measures within the bill include the changes to corporation tax research and development relief rates from April 2023, changes to the energy profits levy from January 2023, and the reduction of the income tax additional rate threshold from April 2023. The bill was not amended during its passage through the Commons, and the text of the bill as originally introduced will therefore be the text of the act, as the House of Lords cannot change it.

For additional details, please see the Deloitte [tax@hand article](#) dated December 2, 2022.



## Accounting developments

### FASB issues proposed ASU—Accounting for Investments in Tax Credit Structures using the Proportional Amortization Method

During the Emerging Issues Task Force's ("EITF" or "Task Force") meeting on December 1, 2022, the Task Force came to final consensus on the proposed Accounting Standards Update (ASU) that would allow for reporting entities to account for investments made primarily for the purpose of receiving income tax credits and other tax benefits consistently. The proposed ASU originally was presented to the EITF and referred to as EITF 21-A.

EITF Issue 21-A addresses expanding the allowance of the proportional amortization method to be used for other investment tax credits outside low-income housing tax credit (LIHTC) investments that meet the criteria in ASC 323-740-25-1. The EITF Issue also clarifies criterion (aa) and criterion (aaa) in ASC 323-740-25-1 that an investment tax credit must meet in order to apply the proportional amortization method instead of the equity method.

FASB ratification is expected at the Board's January 2023 meeting, after which a final ASU will be issued.

For additional details, please refer to the December 2022 edition of [EITF Snapshot](#) and the [proposed ASU](#).

### FASB project update—Targeted Improvements to Income Tax Disclosures

At the FASB meeting on November 30, 2022, the Board reached a number of tentative decisions about the Targeted Improvements to Income Tax Disclosures project and indicated that it expects to issue a proposed ASU for comment in the first quarter of 2023.

In March 2022, the Board revised the objective and scope of the project to concentrate on disclosures related to income taxes paid and the rate reconciliation table while retaining within the scope of the project certain of the March 2019 proposed ASU's generally

supported amendments (e.g., removing the existing requirement in ASC 740-30-50-2(b) to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures).

The tentative decisions reached at the November 2022 meeting include a requirement to disclose specific categories in the rate reconciliation and specific reconciling items with an effect greater than 5% as well as a requirement to disaggregate income taxes paid by federal, state, and foreign and individual jurisdictions where income tax paid is greater than 5%.

For additional details, refer to the [tentative board decisions](#) reached at the Board's November 30, 2022, meeting.

### Updated: Deloitte's Roadmap Income Taxes

In December 2022, we issued an update to our Roadmap [Income Taxes](#). The December 2022 edition includes an expanded and reorganized discussion of valuation allowances as well as a new appendix that discusses tax-related provisions of the CHIPS Act and the Inflation Reduction Act. It also includes [On the Radar](#), which provides a high-level summary of emerging issues and trends related to the accounting and financial reporting topics addressed in the Roadmap.

## Up-C structure services

For Up-C structures, the Up-C Structure Services group offers virtual webcasts from Deloitte specialists covering recent US federal income tax and ASC 740 developments relevant to these businesses organized as Up-Cs. Please visit us at [Up-C Structure Services](#) or contact Jill Wilde at [jjwilde@deloitte.com](mailto:jjwilde@deloitte.com) (+1 904 665 1433) to be added to our virtual webcast distribution list.



## Other

For upcoming webcasts that give you valuable insights on important developments affecting your business and feature practical knowledge from Deloitte specialists and offer CPE credits, please visit Dbriefs Webcasts.

For other information regarding newly issued accounting standards, exposure drafts, and other key developments, refer to our [Quarterly Accounting Roundup](#).

## Learn more

### Additional resources you may find helpful

- [Accounting for Income Taxes—Quarterly Hot Topics Archive](#)
- [Tax News & Views Webcast Series](#)
- [Deloitte Tax Accounting & Provision Services Home Page](#)
- [Deloitte Tax Accounting & Provisions Dbriefs Webcast Series](#)
- [Deloitte Heads Up Newsletter Archive](#)
- [Global Tax Developments Quarterly—Accounting for Income Taxes](#)
- [tax@hand](mailto:tax@hand)

As always, we are interested in your comments on our publications. Please take a moment to tell us what you think by sending us an [email](#).

## Talk to us

If you have any questions or comments about the ASC 740 implications described above or other content of Accounting for Income Taxes Quarterly Hot Topics, contact the Deloitte Washington National Tax Accounting for Income Taxes Group at: [USNationalWNTActIncomeTaxesGrp@deloitte.com](mailto:USNationalWNTActIncomeTaxesGrp@deloitte.com)

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