

## Accounting for Income Taxes Quarterly Hot Topics



December 2014

In this issue:

**Accounting developments**

**Tax law developments**

**Looking forward**

**Learn more**

### Accounting developments

#### FASB's Accounting for Income Taxes Project

On October 22, 2014, the Financial Accounting Standards Board (FASB) voted to issue a proposed Accounting Standards Update (ASU) addressing:

- **Tax Effects of Intra-Entity Transfer of Assets** – The Board voted to remove the requirement under which the income tax consequences of intra-entity asset transfers are deferred until the assets are ultimately sold to an outside party. The tax consequences of such transfers would be recognized in tax expense when the transfers occur. This treatment is consistent with International Accounting Standard (IAS) 12. The Board acknowledged that the elimination of this exception in Accounting Standards Codification (ASC) 740 might not reduce the cost entities incurred by having to track book-tax differences. However, the Board believes that the change would better depict the economic effect (e.g., a cash tax payment) of those transfers and will lead to easier application of the general guidance in ASC 740. The Board also tentatively decided to require a modified retrospective transition with a cumulative catch-up adjustment to opening retained earnings in the period of adoption. Since the period of adoption would not be comparable to the prior periods presented, entities would need to disclose the effects of the accounting change on the financial statements of the period of adoption.
- **Balance Sheet Classification of Deferred Taxes** – The Board voted to classify all deferred taxes as noncurrent, with prospective application of this accounting change. Jurisdictional netting would still be required. In the proposed ASU, the Board will ask constituents for their views about the following two alternative approaches suggested by certain Board members: (1) present all deferred tax assets and deferred tax liabilities (DTAs/DTLs) in one place on the balance sheet without labeling them as either current or noncurrent despite the entity's presentation of a "classified" balance sheet and (2) classify DTAs/DTLs as current or noncurrent in accordance with the estimated periods of reversal of the related temporary differences.

The proposed ASU would be effective for annual periods beginning after December 15, 2016, and interim periods within those annual periods for public business entities. Entities other than public business entities would have a one-year deferral, and early adoption would be permitted. The FASB expects to issue the proposal early in 2015, with a 120-day comment period.

Separately, the FASB Board has directed the staff to continue researching potential opportunities to simplify the intraperiod tax allocation requirements. Further, the FASB staff is also researching potential improvements to income tax disclosures as part of the disclosure framework project, which the Board is expected to focus on in the coming year.

### **FASB's Share-based Compensation Project**

On October 8, 2014, the FASB added to its agenda a project to improve the accounting for employee share-based payments and began deliberating certain potential improvements, including the following related to the accounting for income taxes:

- Excess tax benefits/deficiencies upon vesting or settlement of awards — The Board decided to remove the requirement to defer recognition of an excess tax benefit until the benefit is realized. Further, entities would be required to recognize all excess tax benefits and tax deficiencies in income tax expense as opposed to recognizing some of those amounts in additional paid-in capital.
- Statement of cash flows presentation of excess tax benefits — The Board decided to remove the requirement to present excess tax benefits in the cash flow statement as a cash inflow from financing activities and an offsetting cash outflow from operating activities.

The FASB has not yet indicated how soon it may issue a proposed ASU.

### **Preparing effective disclosures**

Accounting for income taxes continues to be one of the SEC's top areas of focus in its reviews of registrants' periodic filings. The SEC staff's comments about income taxes continue to focus on:

- Potential tax and liquidity ramifications related to the repatriation of foreign earnings;
- Valuation allowances;
- Rate reconciliation disclosures; and
- Unrecognized tax benefits.

For further analysis of Securities and Exchange Commission (SEC) comment letter trends, see Deloitte's 2014 **SEC Comment Letters — Including Industry Insights** (includes an income taxes section that summarizes frequently issued SEC staff comments) and **SEC Comment Letter Examples — Income Taxes** (contains additional examples income-tax specific comments from the SEC staff and further analysis).

### **AICPA Conference on PCAOB and SEC Developments**

At this year's conference, SEC staff reiterated that it continues to issue the types of comments it has discussed in the past, which include the areas of focus outlined in the section above. In addition, the staff noted that disclosures about income taxes can be improved. In this regard, the staff stated that boilerplate language should be avoided and that approaches more conducive to effective disclosure would include:

- Using the income tax rate reconciliation as a starting point and describing the details of the material reconciling items.
- Discussing significant foreign jurisdictions, including statutory rates, effective rates, and the current and future impact of reconciling items.
- Providing meaningful disclosures about known trends and uncertainties, including expectations regarding the countries where registrants operate.

In addition, the SEC staff foreshadowed that it is currently assessing the reporting of income taxes — in a manner similar to its focus on the statement of cash flows in 2014 — to better understand the causes of recent restatements and that the Office of the Chief Accountant (OCA) will most likely be discussing its

findings in 2015. Consequently, registrants can expect income taxes to be a topic of increased SEC staff focus. For a comprehensive summary of all matters discussed at this year's conference, refer to Deloitte's December 15, 2014, **Heads Up**.

## Tax law developments

Under U.S. GAAP, the effects of new legislation are recognized upon enactment (ASC 740-10-25-47). More specifically, the effect of a change in tax laws or rates on a DTL or DTA is recognized as a discrete item in the interim period that includes the enactment date. The tax effects of a change in tax laws or rates on taxes currently payable or refundable for the current year are reflected in the computation of the annual effective tax rate (AETR) after the effective dates prescribed in the statutes, beginning no earlier than the first interim period that includes the enactment date of the new legislation. However, any effects of a tax law or rate change on taxes payable or refundable for a prior year, such as when the change has retroactive effects, is recognized upon enactment as a discrete item of tax expense or benefit for the current year.

**Uncertain tax positions:** The evaluation of new information may lead to subsequent changes in judgment as it relates to a particular position. Pursuant to ASC 740-10-25-15, a change in judgment that results in subsequent recognition, derecognition, or a change in measurement of a position taken in a prior annual period, must be recognized as a discrete item in the period in which the new information becomes available. ASC 740 states that the measurement of a tax position should "be based on management's best judgment given the facts, circumstances, and information available at the reporting date." Additional analysis of *existing* information would not typically constitute new information for purposes of adjusting prior estimates.

**Classified balance sheet:** An entity that presents a classified balance sheet must classify the deferred balances as either current or noncurrent on the basis of the financial accounting classification of the related liability or asset for which a temporary difference exists. A deferred tax balance that is not related to an asset or liability for financial reporting purposes, such as the deferred tax consequences related to an operating loss or a tax credit carryforward, is classified in accordance with the expected reversal date of the related temporary difference or tax attribute. The effect of a change in tax law on the current or noncurrent classification of a deferred tax amount that is not related to an asset or liability for financial reporting purposes should be recognized in the financial statements of the interim or annual period that includes the enactment date.

**Tax expense:** For both calendar and non-calendar-year-end reporting entities, the effect of the tax law change on prior-year taxes and on deferreds existing as of the enactment date would be presented as a component of income tax expense or benefit from continuing operations. The effects of changes in tax law on items not included in income from continuing operations (e.g., discontinued operations and other comprehensive income) arising in the current year and before the enactment date should be included in the current interim period as part of income from continuing operations. The effect of the change on total tax expense or benefit (current and deferred) related to post-enactment income would be allocated between continuing operations and other financial statement components in accordance with the intraperiod tax allocation guidance in ASC 740-20.

The topics below highlight what we believe are significant tax law developments that should be considered during the preparation of the financial statements. However, note that this is not a complete list of all recent tax law changes.

### ***International***

#### **Ireland Finance Act 2014: Impact on multinational corporations**

Ireland's Finance Act 2014 was signed by Ireland's president on December 23, 2014, to bring into effect the budget announced on October 14, 2014. Significant measures relevant to the multinational sector are included in the Finance Bill, such as:

- The grandfathering of “double Irish” structures<sup>1</sup> created before January 1, 2015, and the change in tax residence rules for Irish companies incorporated after that date;
- Enhancement of the Irish onshore intellectual property (IP) regime; and
- Enhancement of the Irish R&D tax credit regime.

Starting January 1, 2015, no new structures will be able to utilize the double Irish regime and a grandfathering period of six years will apply to structures in existence as of December 31, 2014. To give effect to this change, Finance Bill 2014 has amended the residence rules to provide that companies incorporated in Ireland after January 1, 2015 will be deemed to be tax resident in Ireland, while companies incorporated in Ireland before January 1, 2015 will be deemed to be tax resident in Ireland from December 31, 2020. This change will not apply to Irish-incorporated companies that currently are a tax resident in a treaty country by virtue of management and control, nor will it apply to non-Irish incorporated companies that are managed and controlled in Ireland. For additional details on the Ireland Finance Bill 2014, the enhancement of the Irish onshore IP regime and the research and development (R&D) credit regime, see Deloitte’s October 23, 2014 [Ireland Tax Alert](#).

### **Italy changes IRAP tax rates**

The Italian government passed Law Decree No. 66 in April of 2014, which was enacted into law on June 18, 2014. This law was effective for fiscal years starting after December 31, 2013 and reduced the standard Italian regional tax on productive activities (IRAP) rate of 3.9% to 3.5%. The standard rates for financial institutions and insurance companies were reduced from 4.65% and 5.9% to 4.2% and 5.3%, respectively. On December 22, 2014 the 2015 Budget law was passed and enacted into law on December 29, 2014. The Budget law repeals the reduction of the IRAP rates reflected in Law Decree No. 66, resulting in a standard IRAP rate of 3.9% and a standard IRAP rate for financial institutions and insurance companies of 4.65% and 5.9%, respectively for fiscal years starting after December 31, 2013.

### **Peru tax reform**

A bill approved by Peru’s parliament on December 11, 2014 was enacted by the executive branch on December 31, 2014. The new law, which applies beginning January 1, 2015, contains several tax measures intended to stimulate the economy, including a progressive reduction of the corporate income tax rate (from 30% to 26%), changes to the dividend tax regime and the introduction of a binding private rulings regime. The tax rate for the dividend tax triggered when there is a distribution of profits, or an agreement to distribute profits, to resident individuals or nonresident shareholders is increased from 4.1% to 9.3%. For additional details on the Peru tax reform, see Deloitte’s December 19, 2014 [Peru Tax Alert](#).

### **Russia enacts law introducing fundamental changes to taxation of foreign entities**

On November 24, 2014, Russia’s president signed a law (Law No. 376-FZ) that makes fundamental changes to the taxation of foreign entities. The law, inter alia, introduces the concept of “beneficial ownership,” a new definition of corporate residence, a controlled foreign company (CFC) regime, new rules on the indirect disposal of shares of Russian real estate-rich companies and requirements that Russian legal entities and individuals disclose information on their interests in foreign companies. The law will enter into force on January 1, 2015. The new law is part of Russia’s national strategy for counteracting tax abuse, referred to as “de-offshoring of the economy,” under which the government intends to use a multi-pronged approach to limit the use of offshore jurisdictions for tax planning purposes and to ensure that the ownership structures of Russian companies are more transparent. For additional details on the Russia tax reform, see Deloitte’s December 12, 2014 [Worldwide Tax Advisor](#).

---

<sup>1</sup> This structure relies on Ireland’s territorial tax regime, which does not levy taxes on a subsidiary of an Irish company.

### **Spain corporate tax reform enacted**

Broad-based Spain tax reform was enacted on November 28, 2014. The reform, which will impact tax years starting on or after January 1, 2015, includes the introduction of a new corporate income tax law. The following summarizes the major changes that may affect multinational businesses:

- The proposed law would reduce the current general corporate income tax rate of 30% to 28% in 2015 and to 25% in 2016.
- A special anti-abuse rule for hybrids would operate to disallow deductions for expenses incurred in transactions with related parties where, as a result of different tax characterizations, income would not be subject to tax, no income would be generated or the income would be subject to a nominal tax rate of less than 10%.
- Intragroup profit participating loans would be characterized as equity instruments (rather than debt) and, therefore, “interest” payments on such loans would be nondeductible.
- Net operating losses (NOLs) would be able to be carried forward indefinitely; however, a limitation on the use of the NOLs to a specified percentage of taxable income would remain in effect.
- Several tax credits would be abolished (including the environmental investment credit, the reinvestment credit and the profit investment credit) and would be replaced by a new “capitalization reserve”.
- Various changes to the CFC regime.

For additional details on the Spain corporate tax reform, see Deloitte’s December 2, 2014 [Spain Tax Alert](#).

### **Thailand – New investment promotion strategy announced**

On November 25, 2014, the Thailand Board of Investment (BOI) approved the “Seven-Year Investment Promotion Strategy” (2015-2021) that will come into effect and apply applications submitted as of January 1, 2015. The new investment strategy focuses on giving priority to investments that will contribute to, and have a positive effect on, society and the environment. The investment strategy gives priority to high-tech and creative industries, service industries that support the development of the digital economy, and activities that develop and utilize local resources. On December 3, 2014, the BOI has announced the list of eligible activities and the incentives to be granted in the Announcement of the Board of Investment No. 2/2557 Re: Policies and Criteria for Investment Promotion. Activities-based incentives are divided into two groups, namely A and B. Group A and Group B activities will receive import duty exemption on machinery and/or raw and essential materials and other non-tax incentives, while corporate income tax exemption (an income tax holiday) for a period not exceeding eight years will be granted to Group A activities only. Additional information regarding the promotion and application process can be found on the BOI [website](#).

### ***U.S. Federal***

#### **Tax extenders bill becomes law**

On December 19, 2014, President Obama signed legislation that retroactively extends for one year the bulk of the temporary tax deductions, credits, and incentives that expired at the end of 2013. The Tax Increase Prevention Act of 2014 was approved on a bipartisan basis in the House of Representatives on December 3 and the Senate on December 16. As enacted, none of the extenders provisions is modified from prior law. Below is a highlight of the provisions that are renewed through the end of 2014:

- The research and experimentation credit;
- Additional first-year 50% bonus depreciation and the election to accelerate alternative minimum tax credits in lieu of additional first-year depreciation;
- The Subpart F exception for active financing income;
- Lookthrough treatment of payments between related controlled foreign corporations under the foreign personal holding company rules (IRC 954(c)(6));
- The production tax credit for wind and other alternative forms of energy;
- The credit for alternative fuel vehicle refueling property;
- The deduction for energy-efficiency improvements to commercial buildings;

- The credit for construction of energy-efficient new homes;
- The deduction for energy-efficiency improvements to existing homes;
- The New Markets Tax Credit;
- The Work Opportunity Tax Credit; and
- The reduced recognition period for S Corporation built-in gains tax.

The bill does not renew a handful of provisions related to, among other things, expensing of certain refinery property and manufacturing of energy-efficient appliances. A complete list of provisions that are renewed – and those that are not – is available [here](#).

### **IRS accepts charge-off amounts reported by banks and bank subsidiaries for GAAP and regulatory purposes as sufficient evidence of worthlessness under Section 166**

On October 24, 2014, the Internal Revenue Service (IRS) Large Business and International Division issued a directive (LB&I-04-1014-008) instructing IRS agents not to challenge a bank or bank subsidiary that follows book charge offs to the extent that the bad debt deduction under Section 166 is equal to the credit-related impairment reported for GAAP and regulatory purposes. The directive applies to banks and bank subsidiaries that properly use the general facts and circumstances under Treas. Reg. § 1.166-2(a), the conclusive presumption of worthlessness provided under Treas. Reg. Section § 1.166-2(d)(1) or the conformity election provided under Treas. Reg. Section § 1.166-2(d)(3) for determining the worthlessness of a debt. The directive also instructs agents not to challenge the inclusion of estimated selling costs as part of a charge off.

The directive is limited to 2010 to 2014 tax years. If a bank or bank subsidiary chooses to follow the directive, it may implement any applicable changes by filing amended returns or making the changes in its current tax year. Once the bank or bank subsidiary applies the directive, it must apply the directive consistently going forward from year to year.

### ***U.S. Multistate***

**Michigan:** On July 14, 2014, the Michigan Supreme Court in *International Business Machines (IBM) v. Michigan Department of Treasury* held that the taxpayer could elect to compute both the Modified Gross Receipts Tax and Business Income Tax components of its 2008 Michigan Business Tax (MBT) liability using the Multistate Tax Compact (“Compact”) election in lieu of the 100% sales-weighted apportionment formula under the MBT Act. By application of the election (Compact Article III), the taxpayer was allowed to use an equally-weighted, three-factor apportionment formula (property, payroll and sales). In August of 2014, the Michigan Department of Treasury filed motions to appeal this decision. On September 11, 2014, while Treasury’s motions in IBM were pending, Michigan Governor Snyder signed Public Act 282 of 2014 (“PA 282”), repealing “retroactively and effective beginning January 1, 2008” the Multistate Tax Compact provisions of Michigan law. On November 14, 2014, the Michigan Supreme Court denied both motions and made no reference to PA 282 or its potential application. Accordingly, the Michigan Supreme Court decision of July 14, 2014 stands, and the matter is remanded to the Michigan Court of Claims for entry of an order granting summary disposition in favor of IBM.

The broader application of the IBM decision to other Michigan taxpayers is unclear in the absence of any reference or analysis by the Michigan Supreme Court in the IBM case to PA 282 or the amended law’s retroactive application to January 1, 2008. On December 19, 2014, the Michigan Court of Claims granted summary disposition in favor of the Michigan Department of Treasury in a number of pending Compact-based MBT refund case – holding that PA 282 retroactively bars MBT refund claims that had been based on an election to utilize a three-factor apportionment formula under the Compact. Meanwhile, the Michigan Court of Appeals is currently considering Treasury’s appeal of a taxpayer-favorable Compact decision in June 2013 from the Michigan Court of Claims in *Anheuser-Busch, Inc. v. Michigan Department of Treasury*. The issue of PA 282’s retroactive application may be addressed by the Michigan Court of Appeals in this case. For additional details on the Michigan Supreme Court Decision and PA 282, refer to the Deloitte November 18, 2014 [Michigan Multistate Alert](#).

**New Hampshire:** The New Hampshire Department of Revenue Administration explains that based on legislative changes enacted during 2011 which were further clarified via legislation enacted earlier this year, as of July 1 2014, any unused New Hampshire business enterprise tax (BET) credits from taxable periods ending before December 31, 2014 may be carried forward against the New Hampshire business profits tax (BPT) for five years from the taxable period in which it was paid; and any unused New Hampshire BET credits from taxable periods ending on or after December 31, 2014 may be carried forward against the BPT for ten years from the taxable period in which it was paid.

**New Jersey:** The Tax Court of New Jersey recently rendered decisions in favor of taxpayers in two separate cases that addressed the question of whether a taxpayer may for New Jersey Corporation Business Tax (CBT) purposes adjust the basis in its property to account for depreciation deductions for which it received no CBT benefit. In both court cases, the taxpayers took advantage of federal and state bonus depreciation, which led to the generation of significant net operating losses. In later years, the taxpayers sold capital assets, which had a lower tax basis due to the bonus depreciation, resulting in a significant tax gain that could not be offset due to the state's temporary net operating loss suspension. The Tax Court held that the taxpayer(s) were allowed to reduce net income subject to the CBT by reducing the gain to account for the combined effect of New Jersey's federal bonus depreciation decoupling and temporary net operating loss suspension. In rendering its decisions, the Tax Court reasoned that the New Jersey Division of Taxation cannot tax the "fictitious income" that was attributable to depreciation deductions taken by the taxpayers for federal income tax purposes and provided no benefit for CBT purposes.

Although the appeal period related to these two Tax Court decisions remains open, and thus the cases are not yet final, taxpayers may wish to consider whether the Tax Court's reasoning and analysis may provide potential opportunities for similarly situated taxpayers in New Jersey, as well as in other states that had suspensions or limitations on NOL carryforwards, to adjust their federal basis in property sold during open periods. For a summary of these two Tax Court decisions and some additional taxpayer considerations, refer to the Deloitte October 28, 2014 [New Jersey Multistate Alert](#).

**Ohio:** On December 19, 2014, Ohio Governor Kasich signed Substitute House Bill No. 5 ("H.B. 5"), which creates uniform provisions applicable to more than 600 Ohio municipal income tax regimes (municipal net profits tax). The bill applies uniform standards for taxation of pass-through entities, net operating loss carryforwards, consolidated corporate returns, withholding for nonresident employees and various procedural items. Unless otherwise specified, these changes are effective January 1, 2016. Below is a summary of changes that taxpayers should consider when preparing their financial statements:

- **Pass-through entity:** Current law provides an option for municipalities to tax either the pass-through entity or its owners (on their respective distributive shares of income). H.B. 5 provides that the municipal net profits tax shall be imposed on pass-through entities at the entity level. However, under H.B. 5, municipalities may continue to tax the income that passes through to a resident individual owner under applicable uniform rules. Note that financial statements that include an Ohio partnership should reflect deferred tax balances for the portion of the related temporary difference that will reverse in the future when the partnership is subject to an entity level tax.
- **Net operating loss:** H.B. 5 brings uniformity to Ohio municipal net operating loss ("NOL") carryforward provisions. Currently, 260 municipalities, including Columbus and its suburbs, do not allow for NOL carryforwards, while some municipalities permit a five-year carryforward and others offer varying lengths of carryforward. Under H.B. 5, for the jurisdictions that are not currently allowing NOL carryforwards, the amount of NOLs incurred for taxable years beginning after 2016 may be deducted to offset up to 50% of income generated in taxable years beginning in 2018 to 2022, and up to 100% thereafter. For the jurisdictions that currently allow NOL carryforwards, the NOLs accumulated for periods prior to 2017 will be treated as deducted "first" and without the 50% limitation during the 2018 – 2022 phase-in period.
- **Consolidated returns:** Ohio municipalities have generally permitted corporate consolidated filings when an affiliated business grouping filed a consolidated federal income tax return. The new law provides more detailed guidance on consolidated filings and potentially permits corporate entities to

elect to de-consolidate. H.B. 5 also provides an option available to consolidated groups to include or exclude an 80% or more owned passthrough entity's income and apportionment factors from the consolidated tax return.

Refer to the Deloitte December 19, 2014 [Ohio Tax Alert](#) for a more detailed summary of the significant law changes contained in H.B. 5.

**Texas:** The Court of Appeals, 13th District of Texas ("Court of Appeals"), recently upheld an assessment against a taxpayer, holding that gains were required to be offset against losses from the sale of investments and capital assets in determining the Franchise Tax apportionment factor denominator. The case involved the application of Texas Tax Code ("TTC") § 171.105(b), which for purposes of determining the denominator of the Franchise Tax apportionment factor states: "If a taxable entity sells an investment or capital asset, the taxable entity's gross receipts from its entire business for taxable margin include only the net gain from the sale." The taxpayer argued the proper interpretation of this statute was that gains only are included and, thus, losses are disregarded. The Court of Appeals disagreed, siding with the Texas Comptroller and concluding that gains are to be offset by losses from the sale of investments and capital assets. The taxpayer has not filed a petition for review with the Texas Supreme Court; however, the period during which such filing may be made remains open. For a summary of the proceedings and arguments in this pending case and taxpayer consideration, refer to the Deloitte December 18, 2014 [Texas Multistate Alert](#).

## Looking forward

The section below highlights some of the legislative proposals that may affect a company's income tax provision in the future. An entity should not consider changes in tax laws or rates when measuring deferred tax balances and assessing the realizability of a DTA before the period in which the change is enacted. This is an exception to the general rule in ASC 740-10-30-17, under which entities should consider all currently available information about future events when determining whether a valuation allowance is needed for a DTA. Financial statement preparers should consider whether potential changes represent an uncertainty that management reasonably expects will have a material effect on the results of operations, liquidity, or capital resources. If so, financial statement preparers should consider disclosing information about the scope and nature of any potential material effects of the changes.

### District of Columbia FY 2015 Budget Support Act of 2014

On November 12, 2014, the District of Columbia ("District") Fiscal Year 2015 Budget Support Act of 2014 (Permanent Act) ("Budget Support Act") was transmitted to the U.S. Congress. In the District, legislation only becomes law after it is approved by Congress, which is deemed to occur if Congress does not enact a joint resolution to repeal the legislation within the 30-calendar-day period defined in D.C. Code Section 1-206.02(c)(1). The projected enactment date of the Budget Support Act is January of 2015. This legislation proposes the following changes to District law:

- A phased-in reduction of the Unincorporated and Incorporated Business Franchise Tax rates. The unincorporated and incorporated business franchise tax rate of 9.975% is reduced to 9.4% for taxable years beginning after December 31, 2014. Subject to availability of funding, the tax rate would be further reduced to 9.0%, 8.75%, 8.5%, or 8.25%.
- The use of single sales factor for all business income for tax years beginning after December 31, 2014.
- A revision to the sourcing rules for sales apportionment purposes.
- The exemption of certain investment fund income from the Unincorporated Business Franchise Tax (UBFT).

Currently, the District exempts certain businesses from the UBFT, including but not limited to a trade or business in which more than 80% of the gross income is derived from personal services in which capital is not a material income-producing factor (e.g., law firms, accounting firms), and a Qualified High Technology Company. The proposed law would expand the exemption to include certain investment fund income.

Specifically, it provides that “a trade or business that arises solely by reason of the purchase, holding, or sale of, or the entering, maintaining, or terminating of positions in, stocks, securities, or commodities for the taxpayer’s own account,” subject to certain limitations, shall not be subject to the UBFT. For additional details on the Budget Support Act and a summary of the proposed law changes, see Deloitte’s [District of Columbia Tax Alert](#).

## Learn more

**Accounting for Income Taxes – Global Tax Developments:** This publication is issued on a quarterly basis and also periodically, as warranted by specific changes, and provides a user-friendly source of global tax information that may be considered in conjunction with accounting for income taxes under U.S. GAAP. It generally includes a brief summary of major international income tax developments and provides a summary of combined tax rates applicable in several key jurisdictions and the dates of enactment of rate changes, if applicable, under U.S. GAAP. The publication also contains select sample financial statement disclosures that may be considered relevant to accounting for income taxes. The January 2015 publication (which will be issued shortly after this publication) and archives of prior issues can be found [here](#).

**International Core of Excellence (ICE) 2014 Country Essentials:** Deloitte Tax LLP’s International Core of Excellence (ICE), our foreign tax desk program, is a local resource designed to help U.S. companies doing business in multiple jurisdictions. ICE is a U.S.-based team of highly experienced tax professionals from key jurisdictions around the world. ICE team members, who are specialists in the tax systems of their home jurisdictions, can identify and address how foreign tax considerations impact a U.S. multinationals business drivers and tax planning. The [ICE Country Essentials](#) provide information on the tax rules in ICE countries, covering direct and indirect taxes and rates, tax basis and residency rules, plus forms of business organization, accounting standards, and foreign exchange controls. The ICE Country Essentials are drawn from the larger Deloitte Highlights series reviewing the tax landscape of nearly 150 jurisdictions. The Essentials serve as companion pieces to the [Deloitte Taxation and Investment Guides](#), which help potential investors understand the investment climate, operating conditions, and tax systems of most major trading jurisdictions in greater detail.

### Additional resources that you may find helpful:

- [Deloitte Financial Accounting & Reporting - Income Taxes Home Page](#)
- [Deloitte Dbriefs Webcasts Archive](#)
- [Deloitte Heads Up Newsletter Archive](#)

## 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)

This publication contains general information only and Deloitte is not, by means of this publication, rendering accounting, business, financial, investment, legal, tax, or other professional advice or services. This publication is not a substitute for such professional advice or services, nor should it be used as a basis for any decision or action that may affect your business. Before making any decision or taking any action that may affect your business, you should consult a qualified professional advisor. Deloitte, its affiliates, and related entities shall not be responsible for any loss sustained by any person who relies on this publication.

As used in this document, "Deloitte" means Deloitte Tax LLP and Deloitte & Touche LLP, which are separate subsidiaries of Deloitte LLP. Please see [www.deloitte.com/us/about](http://www.deloitte.com/us/about) for a detailed description of the legal structure of Deloitte LLP and its subsidiaries. Certain services may not be available to attest clients under the rules and regulations of public accounting.

[Deloitte.com](#) | [Security](#) | [Legal](#) | [Privacy](#)

1633 Broadway  
New York, NY 10019-6754  
United States

Copyright © 2014 Deloitte Development LLC. All rights reserved.

Member of Deloitte Touche Tohmatsu Limited

 [Deloitte RSS feeds](#)