Disclosure Framework — FASB Makes Tentative Decisions About Various Income Tax Disclosure Requirements

October 26, 2015 — At its October 21, 2015, meeting, as part of its review of financial statement disclosures, the FASB discussed income tax disclosure requirements related to income taxes paid, deferred income taxes, valuation allowances, and rate reconciliation. The following is a summary of the Board's tentative decisions reached on these topics:

- *Income taxes paid* — The Board would add requirements for a reporting entity to disclose (1) when a change in tax law has been enacted that will probably affect the reporting entity in a future period and (2) the disaggregation of the income taxes paid between foreign and domestic jurisdictions.

- *Deferred income taxes* — An entity would be required to disclose the balance sheet line item(s) in which deferred taxes are presented (i.e., a mapping of total deferred taxes to the balance sheet line items in which they are reported).

- *Valuation allowances* — An entity would need to explain the "nature and amounts of the valuation allowance recorded and released during the reporting period."[1]

- *Rate reconciliation* — The Board tentatively decided that:

  - Nonpublic entities would be required to present a rate reconciliation in the notes to the financial statements, as ASC 740-10-50-12[2] currently requires for public entities.

  - A disaggregation of a component of the rate reconciliation would be required if the individual component is greater than or equal to 5 percent of the tax at the statutory rate in a manner consistent with SEC Regulation S-X.

  - An entity would be required to disclose a qualitative description of the items that have caused a significant year-over-year change to the effective tax rate.

In addition, the Board tentatively decided to require disclosures about the (1) gross amounts and expiration dates of carryforwards recorded on a tax return, (2) tax-effected amounts and expiration dates of carryforwards that give rise to a deferred tax asset, and (3) total amount of unrecognized tax benefits that offset deferred tax assets related to carryforwards.

The additional disclosure requirements outlined above would apply to both public and nonpublic entities.

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[1] Quoted from the October 21, 2015, tentative Board decisions.

[2] For titles of *FASB Accounting Standards Codification* (ASC) references, see Deloitte's "Titles of Topics and Subtopics in the *FASB Accounting Standards Codification.*"

Next Steps

The Board instructed its staff to conduct further outreach with stakeholders and to hold discussions with the Private Company Council. In addition, the Board directed the staff to begin drafting a proposed ASU for public comment that would take into account all the tentative decisions reached to date regarding income tax disclosure requirements. Such decisions include the Board's previous tentative decisions made about disclosure requirements related to indefinitely reinvested foreign earnings and unrecognized tax benefits.