

US Corporate Law News: SEC staff provides accounting guidance on the impact of tax reform

14 JANUARY 2018

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In late December 2017, the SEC issued guidance on the accounting and disclosure issues created by the newly enacted U.S. Tax Cuts and Jobs Act. The guidance included Staff Accounting Bulletin (SAB) 118, which addresses the timing of reporting the changes to a public company's current and deferred income tax amounts caused by the new tax act and provides a limited extension. SAB 118 also provides a list of financial statement disclosures that a reporting company must provide when accounting under ASC 740 is incomplete, including qualitative disclosures of the Act's income tax effects for which accounting is incomplete, the reason for the incompleteness of the initial accounting and the effect of measurement period adjustments on the effective tax rate. The SEC also issued Exchange Act Form 8-K Compliance and Disclosure Interpretation (C&DI) 110.02, confirming that a deferred tax asset's revaluation to reflect a change in a tax rate or other provisions of the new act is not an impairment under ASC 740 and therefore does not trigger disclosure under Form 8-K Item 2.06. For more information, see <https://www.sec.gov/interps/account/staff-accounting-bulletin-118.htm> (SAB 118) and <https://www.sec.gov/divisions/corpfin/guidance/8-kinterp.htm> (C&DI 110.02).


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