

## FACTS TO FOOTNOTES

Tax Prodigy Provision is the simplest solution to the complex technical issues inherent in your ASC 740 process. Our unique approach moves you efficiently from Facts to Footnotes.

### U.S. TAX CUT AND JOBS ACT

On December 22, 2017, President Trump signed tax legislation known as the Tax Cuts and Jobs Act (the Act). The Act is the most dramatic change in corporate tax rules in over 30 years.

Accounting for the impacts of the Act will increase the risk of financial statement errors. Whether issues arise from complexity in the new laws or from the application of ASC 740 to your tax technical conclusions, you need to simplify your ASC 740 process in order to be successful, and mitigate that risk.

### CHANGE IS COMING

Your spreadsheet process may have been “good enough” to get through previous financial statement audits. But with all the modifications that are going to be required as a result of tax reform, the risk of calculation errors increases significantly.

Tax Prodigy Provision eases the transition to the new rules and lets you focus on the law, not the mechanics and maintenance of spreadsheets.

When you create a new perm or temp in Tax Prodigy Provision, it propagates to all of the entities in the return and will automatically flow to the appropriate states and all relevant calculations.

### FAST IMPLEMENTATIONS

You can implement Tax Prodigy Provision in days or weeks, not months. Most companies can implement Tax Prodigy Provision faster than they can modify their spreadsheets and at the same time, eliminating the risk of errors.

### UNCERTAIN TAX BENEFITS

The number of uncertain tax benefits will likely increase as a result of the lack of guidance under the new law.

Additionally, you may take uncertain tax positions to increase deductions or defer income recognition ahead of the change to the lower rate.

This will result in additional rework of spreadsheet processes that can be avoided

### STATES

With a lower federal rate, states are a bigger piece of the tax pie.

There will be more variation amongst states due to non-conformity with the federal law.

You should expect increased scrutiny from auditors around states and less willingness to accept the use of a blended state rate.

This additional focus could cause significant rework of your spreadsheet process but is easily handled in Tax Prodigy Provision.

### MEASUREMENT PERIOD

There is still time for Tax Prodigy Provision to help you.

The SEC guidance issued under SAB 118 allows companies to use reasonable estimates to calculate the provisional impacts of the Act and then revise those estimates as more information is available and the work is completed in subsequent accounting periods.

## PROCESS COMPARISON

TAX TECHNICAL	ASC 740	SPREADSHEETS	TAX PRODIGY
<p>Corporate Rate decreased from 35% to 21% effective 2018.</p> <p>Companies with fiscal year ends will have a “blended rate” for the fiscal year that includes January 1, 2018</p>	<p>Revalue ending deferred taxes to new rate</p> <ul style="list-style-type: none"> <li>• Fed benefit on state items</li> <li>• Fed benefit on State UTBs</li> <li>• Fed benefit on UTB interest</li> </ul> <p>Increased risk around 2017 current temporary items due to the rate change impact.</p>	<p>Verify that all instances of the old tax rates are modified. related to ending deferred balances including the federal benefits associated with state items. Extensive review.</p> <p>If the company has a fiscal year end, set the current return federal tax rate to the appropriate blended rate.</p>	<p>Change the current year ending federal tax rate from 35% to 21% on the Facts screen.</p> <p>If the company has a fiscal year end, set the return federal tax rate to the appropriate blended rate.</p>
<p>NOL carryback is repealed</p> <p>NOL usage limited to 80% of Taxable Income.</p> <p>No expiration of carryforward</p>	<p>Limitation will impact current payable calculation for companies with NOL carryovers</p>	<p>Change NOL utilization logic in current calculation and ensure that the deferred tax schedules will continue to tie in</p>	<p>Change percentage of NOL able to offset taxable income on Facts screen for the federal return.</p>
<p>Repeal corporate AMT system. Can use AMT credits to offset regular tax liability after certain credits.</p> <p>Excess AMT credits are refundable equal to 50% of the remaining balance each year.</p>	<p>Reduce any AMT credit DTA for the amount of AMT allowable</p> <p>Release any VA against AMT credits as they will all be realized as a result of the new law.</p>	<p>Ensure that the Current payable reflects the usage of any AMT credit allowable.</p> <p>Remove any federal VA on the deferred roll forward.</p> <p>Ensure that any VA release is properly reflected in the rate reconciliation.</p>	<p>Ensure that the Current payable reflects the usage of any AMT credit allowable.</p> <p>Remove any federal VA recorded on the VA screen.</p>

## PROCESS COMPARISON

TAX TECHNICAL	ASC 740	SPREADSHEETS	TAX PRODIGY
Repeal of Sec 199 domestic manufacturers deduction	Eliminate a permanent item	Remove the permanent item from the relevant current payable calculations and rollups. Ensure that the item is removed from the relevant state calculations. Remove the item in the rate reconciliation.	Remove Perm on the Current screen.  Remove State Perm Mods on current screen for specific states
Modification of entertainment expense deductibility	Increased permanent item or segregate from historic Meals and Entertainment perm	If entertainment permanent items are going to be segregated from the meals, add the permanent item to the relevant current payable calculations and rollups. Ensure that the item is included in the relevant state calculations. Reflect the item in the rate reconciliation	Add a new Perm on the Current screen
100% Dividends Received Deduction (DRD) for foreign dividends from CFCs owned 10% or more	New permanent item impacting the rate	Though the DRD will net against the foreign dividends, since the DRD will likely be on a different line than the foreign dividends in the return, the new permanent item will need to be added to the current calculation and the rate reconciliation to simplify comparability to the compliance process.	Add a new Special Deduction on the Current screen

## PROCESS COMPARISON

TAX TECHNICAL	ASC 740	SPREADSHEETS	TAX PRODIGY
Repeal performance based exception to \$1 million executive compensation limit under Sec. 162(m)	New or higher permanent item impacting the rate	Add the permanent item to the relevant current payable calculations and rollups. Ensure that the item is included in the relevant state calculations. Reflect the item in the rate reconciliation	Add a new perm on the Current screen
Bonus depreciation for fixed assets for the next 5 years	Lower current tax payable. Expect to build a deferred tax liability.	No change to ASC 740 process. Changes are tax technical in nature	No change to ASC 740 process. Changes are tax technical in nature
<p>Sec .163(j) disallowance of net interest expense in excess of 30% of adjusted taxable income.</p> <p>Any disallowance is carried forward indefinitely</p> <p>Calculated at the filer level - partnership rather than partners</p> <p>Interaction with other limitations</p> <p>Ordering for calculation</p>	<p>New temporary item subject to forecasting and VA analysis since the utilization of a disallowed amount is dependent on forecasts and tax planning strategies.</p> <p>Certain profitable companies that have ordinarily not dealt with VAs in their process will be required to perform the forecasting analysis to demonstrate realizability of any disallowed amounts.</p>	<p>Add new temporary item to the current calculation and deferred schedules.</p> <p>Ensure the temporary item is being included in the relevant state calculations.</p> <p>VAs may need to be incorporated into the deferred spreadsheets and the rate reconciliation and footnote spreadsheets</p>	<p>Add new temp on the Current screen.</p> <p>VAs can be input on the VA screen and will automatically flow to the deferred screen, rate reconciliation and deferred footnotes.</p>

## PROCESS COMPARISON

TAX TECHNICAL	ASC 740	SPREADSHEETS	TAX PRODIGY
<p>Required capitalization and amortization of certain research and experimental expenses (Sec. 174)</p>	<p>New temporary item</p>	<p>Add new temporary item to the current calculation and deferred schedules.</p> <p>Ensure the temps is being included in the relevant state calculations.</p>	<p>Add new temp on the Current screen.</p>
<p>Transition tax on previously untaxed earnings and profits of CFCs. Tax rate is 15.5% on earnings that pertain to liquid assets and 8% on earnings that pertain to illiquid assets</p> <p>Calculation of E&amp;P as of November 2, 2017 and December 31, 2017 testing dates</p> <p>E&amp;P deficits</p> <p>Use of deduction to achieve the tax rates</p> <p>FTCs are limited to the portion of the inclusion not offset by the participation deduction</p>	<p>New Permanent item for entries that have been permanently reinvested</p> <p>New permanent item for the participation deduction.</p> <p>FTC implications</p> <p>Permanent reinvestment assertion implications</p>	<p>Add the permanent items for the inclusion, the Sec. 78 gross up and the appropriate participation deductions to the federal current payable calculation and rollups.</p> <p>Ensure that these new items are included in the relevant state calculations or subtracted out as permanent modifications.</p> <p>Ensure that the new items are included in the state expense in rate reconciliation.</p>	<p>Add new perms on the Current screen.</p> <p>Add new state Perm Modifications on the Current screen for the relevant states.</p>

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