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| <input type="checkbox"/> Managers | <input type="checkbox"/> File  |

## LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

### *PPC's Guide to Accounting for Income Taxes*

#### Twenty-eighth Edition (October 2018)

##### Highlights of this Edition

The following are some of the important new features of the 2018 Edition of *PPC's Guide to Accounting Income Taxes*:

- **Impact of the Tax Cuts and Jobs Act.** Your *Guide* has been updated for tax law changes introduced by the Tax Cuts and Jobs Act (TCJA), which was signed into law in late December 2017. Not only does the TCJA lower the corporate tax rate to a flat 21% rate, but it also repeals the two-year carryback rule for net operating losses, eliminates the corporate alternative minimum tax (AMT), establishes a temporary 100% cost recovery of qualifying business assets, and increases the maximum section 179 deduction. Your *Guide* addresses the impact of the tax law changes on accounting for income taxes.
- **GAAP Update and Expanded Discussion of Temporary Differences.** To better understand GAAP and tax differences, your *Guide* provides information concerning recently issued FASB Accounting Standards Updates (ASUs). The information is generally presented from the perspective of identifying the GAAP issues that may create deferred taxes or permanent differences. This year, your *Guide* more fully addresses the impact on the accounting for income taxes from recently issued ASUs, including ASU 2017-04, *Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*; ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*; and ASU 2016-01, *Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities*.
- **Presentation of Deferred Income Taxes.** Your *Guide* fully integrates into the discussions and examples the new deferred tax presentation requirements introduced by ASU 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*, which is effective for entities other than public business entities for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018.

In addition to these featured items, your *Guide* includes the following update items detailed below.

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
CHAPTER 1 Introduction and Authoritative Literature for Accounting for Income Taxes	<ol style="list-style-type: none"> <li>1. Updated the discussion of corporate tax rates, net operating losses, and the alternative minimum tax for the Tax Cuts and Jobs Act of 2017 (TCJA).</li> <li>2. Revised the Appendixes for ASU 2015-17, <i>Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes</i>, and the TCJA.</li> </ol>	Section 102 and Appendix 1A  Appendixes 1B and 1C-1 and 1C-2
CHAPTER 2 Temporary and Permanent Differences	<ol style="list-style-type: none"> <li>1. Updated the discussion concerning the cash basis for tax reporting for the TCJA.</li> <li>2. Added a footnote to the discussion concerning differences between the financial and tax bases of assets and liabilities that are not temporary differences for nonauthoritative FASB Staff Q&amp;A, Topic 740, No. 5: <i>Accounting for Global Intangible Low-taxed Income</i>.</li> </ol>	Section 202  Section 202

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	3. Revised the discussion regarding the effect of the alternative minimum tax on temporary differences for the TCJA and nonauthoritative FASB Staff Q&A, Topic 740, No. 3: <i>Whether to Discount Alternative Minimum Tax Credits That Become Refundable</i> .	Section 202
	4. Expanded the discussions of temporary differences created prospectively and determining the reversal pattern of temporary differences created or eliminated by changes in tax law for the TCJA.	Section 204
	5. Expanded the list and added discussion of permanent differences for the TCJA and nonauthoritative FASB Staff Q&A, Topic 740, No. 4: <i>Accounting for the Base Erosion Anti-Abuse Tax</i> .	Section 205
	6. Expanded the discussions of temporary differences from (1) capitalized cost of inventories for manufacturers, retailers, and wholesalers, (2) long-term construction contracts, (3) IRC Sect. 179 deduction, (4) bonus depreciation, and (5) changes to tax accounting methods for the TCJA.	Appendix 2A
	7. Added a discussion of temporary differences from limitations of tax deductions for business interest expense introduced by the TCJA.	Appendix 2A
CHAPTER 3 Calculating Current Income Taxes	1. Revised the discussion of calculating current taxes under the current tax system for the TCJA.	Section 301
	2. Revised the discussions of calculating current taxes under the alternative minimum tax (AMT) system and AMT credits for the TCJA.	Section 302
	3. Revised the discussion of temporary differences due to net operating losses for the TCJA.	Section 303
	4. Updated the list of available corporate tax credits, including recently expired tax credits.	Section 304
	5. Revised the appendix concerning differentiating losses under GAAP and tax system for the repeal of the AMT for corporations by the TCJA.	Appendix 3A
CHAPTER 4 Calculating Deferred Income Taxes	1. Revised the discussion for selecting a tax rate for the TCJA.	Section 401
	2. Updated the discussion of recording tax credit carryforwards for the TCJA.	Section 402
	3. Updated the discussion of determining which sources of income to consider when determining whether a valuation allowance is necessary and the discussion of determining taxable income in prior years for TCJA changes to the net operating loss (NOL) carryback rules.	Section 403
CHAPTER 5 Presentation and Disclosure of Income Taxes	1. Revised the discussion and illustrative examples for ASU 2015-17.	Section 501
	2. Revised the discussion concerning the financial statement presentation of NOLs and tax credits for the TCJA changes to the NOL carryback rules.	Section 503

<u>Chapter</u>	<u>Substantive Changes and Additions</u>	<u>Reference</u>
	3. Added a discussion and illustrative disclosure for ASU 2018-02, <i>Income Statement—Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income</i> .	Section 504
	4. Revised the discussion of financial statement disclosures concerning graduated tax rates, NOLs, and tax credits for the TCJA.	Section 504
	5. Revised the appendixes to illustrate the deferred tax balance sheet classification under ASU 2015-17.	Appendix 5A series and Appendix 5E series
	6. Revised the appendix for TCJA changes to the NOL loss carryback rules.	Appendix 5B-2
	7. Revised the “Income Tax Disclosure Requirements for Financial Statements of Nonpublic Businesses” for the full integration of ASU 2015-17 and the requirements of ASU 2018-02.	Appendix 5C
	8. Expanded the “Income Tax Disclosure Requirements for Financial Statements of Nonpublic Businesses” for the transition disclosure requirements of ASU 2016-16, <i>Income Taxes (Topic 740): Intra-Entity Transfers of Assets Other Than Inventory</i> .	Appendix 5C
	9. Updated the worksheets for reconciling the expected and actual tax provision for the TCJA changes to NOL carryback rules and implementation of a 21% flat tax for corporations.	Appendix 5D series
CHAPTER 6 Accounting for Income Taxes—Special Areas	1. Updated the discussion and examples of determining interim period income taxes for the TCJA changes to NOL carryback rules and implementation of a 21% flat tax for corporations.	Section 601
	2. Revised the discussion concerning how to classify or allocate an interim income tax provision to components of current and noncurrent taxes payable for ASU 2015-17.	Section 601
	3. Added a footnote to the discussion concerning the effects of consolidation on income taxes for the proposed ASU, <i>Consolidation (Topic 810): Targeted Improvements to Related Party Guidance for Variable Interest Entities</i> .	Section 603
	4. Updated the discussion regarding income taxes when an investor’s percentage ownership in an investee changes for ASU 2016-01, <i>Financial Instruments—Overall (Subtopic 825-10): Recognition and Measurement of Financial Assets and Financial Liabilities</i> .	Section 604
	5. Expanded the discussion concerning the effect of deferred taxes on goodwill impairment for the different requirements before and after the adoption of ASU 2017-04, <i>Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment</i> .	Section 608
	6. Updated the “Interim Period Tax Expense Worksheet” for the repeal of the corporate AMT by the TCJA.	Appendix 6A

