

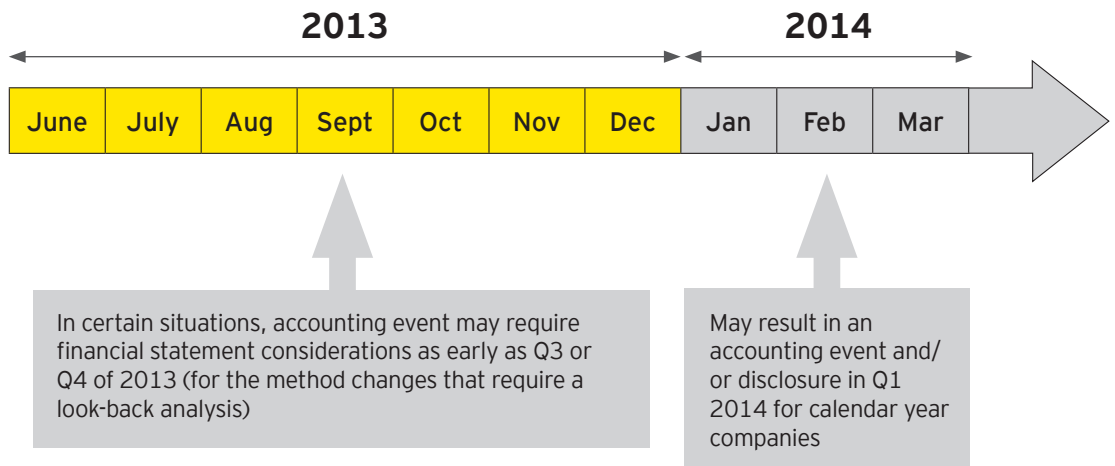
# Final tangible property regulations

## Executive summary

Simplification and opportunities for taxpayers to obtain tax benefits

- ▶ **Effective tax years beginning on or after January 1, 2014** (optional early adoption for 2012 and/or 2013 years)
- ▶ **Regulations impact:**
  - ▶ All taxpayers with leased tangible property - in all industries
  - ▶ All types of taxpayers: domestic, foreign with US operations and controlled foreign corporations (CFCs) earnings and profits
- ▶ **Impacts/Clarifies the tax treatment of:** materials and supplies; acquisition of tangible property; improvements (repair and maintenance costs); and fixed assets depreciation and disposition activity (including general asset accounts)
- ▶ **Implications may include:**
  - ▶ Irrevocable tax return elections and method change filings
  - ▶ The necessity to change existing systems or processes to track new book/tax differences
  - ▶ Majority of taxpayers will need to formalize written book policy by January 1, 2014

Financial statement impacts:



## Benefits of implementation and compliance

- ▶ Opportunity to accelerate deductions
- ▶ Process changes to help identify, compute and track book/tax differences efficiently and effectively in the future
- ▶ Reduced effort required during future IRS audit process
- ▶ Taxpayers who act now may create a potential “permanent” benefit if there is a corporate rate reduction from 35% to 25%\*

\* Reduction would in effect create permanent component to any timing differences that would defer taxable income from 2014 to later year

## Non-compliance risks

- ▶ Financial statement auditor may be unable to sign off on provision and/or internal control effectiveness, if material
- ▶ Tax return preparer may be unable to sign 2014 tax return without disclosure for non-compliance possibly leading to increased IRS audit risk
- ▶ Possible ASC 740-10 (formerly FIN 48) liability assessment and related uncertain tax positions (UTP) schedule disclosure
- ▶ Certain irrevocable elections may be inadvertently made and are only revocable upon a private letter ruling; can be extremely costly and administratively burdensome
- ▶ Compliance with regulations is mandatory; final regulations are law, and not optional

## Key potential corporate impacts

- ▶ Finance and accounting:
  - ▶ Financial statement impact, ASC-740-10 (formerly FIN 48) liability computations and disclosure, written book policy
- ▶ Operations:
  - ▶ Increased collaboration of finance, IT and tax departments; updates to fixed assets policies and supporting IT systems
- ▶ Tax:
  - ▶ Implementation and maintenance of new approach, preparation/readiness for future IRS audit, opportunities for accelerating deductions, compliance requirements (method changes and elections)

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