Interpretation of the Emerging Accounting Issues Working Group

INT 01-20: Utilization of Tax Planning Strategies for the Admissibility of Deferred Tax Assets

ISSUE NULLIFIED BY SSAP NO. 101

INT 01-20 Dates Discussed

March 26, 2001; June 11, 2001

INT 01-20 References

SSAP No. 10—Income Taxes (SSAP No. 10)

INT 01-20 Issue

- 1. An entity may have available certain actions or tax planning strategies that are prudent and feasible. However, the entity ordinarily might not take such actions, but for the expiration of an unused operating loss or other tax credit carryforward or for other valid reasons. In all cases the implementation of these strategies are entirely within the control of the entity. The tax planning strategy, if implemented, is expected to result in realization of deferred tax assets (DTAs) within one year of the balance sheet date. Accordingly, the DTAs are recoverable or realizable within one year of the balance sheet date, but the entity, in some circumstances, may not choose to take the action(s) necessary to realize the DTAs within that one year period. Absent the expiration of a carryforward, the strategy can be implemented in a subsequent year.
- 2. The accounting issues is whether an entity is expected to implement a tax planning strategy within one year of the balance sheet date in order to support the realizability of a tax asset within one year of the balance sheet date?

INT 01-20 Discussion

3. The working group reached a consensus that an entity needs to demonstrate that it has a prudent and feasible tax planning strategy available that, if implemented, would result in realization of deferred tax assets (DTAs) within:

An action (including elections for tax purposes) that meets certain criteria (paragraph 22) and that would be implemented to realize a tax benefit for an operating loss or tax credit carryforward before it expires...

INT 01-20 Status

4. During the June 11, 2001, the working group determined that a comprehensive implementation guide for SSAP No. 10 was needed rather than addressing this and several other issues individually. Therefore, further discussion planned at a future meeting.