

# Audit Alert: FASB deliberates income tax disclosures

The Financial Accounting Standards Board [met](#) on March 23 to discuss various issues related to four of its ongoing projects: income tax disclosures, hedge accounting, not-for-profit financial statements, and long-duration insurance contracts. The Board made tentative decisions and took the actions summarized below for each project.

## Disclosure framework: income tax disclosures

The Board continued its initial deliberations on disclosure requirements for income taxes and tentatively decided to require all entities to (1) disaggregate income tax expense (benefit) between domestic and foreign amounts, and (2) separately disclose foreign income taxes paid to any country that are significant to total income taxes paid. The Board also tentatively decided to require prospective transition for all income tax disclosures.

In addition, the Board affirmed prior tentative decisions that would require an entity to disclose certain changes in tax law with a probable future financial impact, as well as income (loss) before income tax expense (benefit) and income taxes paid, disaggregated between domestic and foreign amounts.

The Board further clarified prior tentative decisions related to disclosing the amounts of, and explanations for, a change in assertion about the temporary difference for the cumulative amount of investments associated with undistributed foreign earnings.

Prior tentative decisions were reversed that would have required all entities to disclose both the line item on the balance sheet that includes deferred income taxes and domestic tax expense (benefit) on foreign-sourced earnings. The Board also reversed a tentative decision that would have required non-public entities to provide a rate reconciliation, explanation of valuation allowance changes, and certain information related to operating loss and tax credit carry forwards.

The Board directed the staff to perform further outreach on disclosing certain assets related to the temporary difference for the cumulative amount of investments associated with undistributed foreign earnings that are essentially permanent in nature.

Source: Grant Thornton, *On The Horizon*, March 31, 2016

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