

## Interpretation of the Emerging Accounting Issues Working Group

### INT 00-21: Disclose Requirement of SSAP No. 10 Paragraphs 17 & 18

#### ISSUE NULLIFIED BY SSAP NO. 101

##### INT 00-21 Dates Discussed

June 12, 2000; September 11, 2000

##### INT 00-21 References

*SSAP No. 10—Income Taxes*

##### INT 00-21 Issue

1. The following guidance is included in paragraphs 17 and 18 of *SSAP No. 10* (SSAP No. 10):

17. Statutory financial statement disclosure shall be made in a manner consistent with the provisions of paragraphs 43-45 and 48 of FASB Statement No. 109, *Accounting for Income Taxes* (FAS 109). However, required disclosures with regard to a reporting entity's valuation allowance shall be replaced with disclosures relating to the nonadmittance of some portion or all of a reporting entity's DTAs. The financial statements shall include the disclosures required by paragraph 47 of FAS 109 for non-public companies. Paragraphs 18-23 describe the disclosure requirements as modified for the difference between the requirements of FAS 109 and those prescribed by this statement.

18. The components of the net DTA or DTL recognized in a reporting entity's balance sheet shall be disclosed as follows:

- a. The total of all DTAs (admitted and nonadmitted);
- b. The total of all DTLs;
- c. The total DTAs nonadmitted as the result of the application of paragraph 10; and
- d. The net change during the year in the total DTAs nonadmitted.

2. Paragraph 17 indicates that paragraph 43 of FAS 109 is adopted but is silent as to the issue of a public or nonpublic enterprise. Paragraph 43 of FAS 109 reads as follows:

43. The components of the net deferred tax liability or asset recognized in an enterprise's statement of financial position shall be disclosed as follows:

- a. The total of all deferred tax liabilities measured in procedure (b) of paragraph 17
- b. The total of all deferred tax assets measured in procedures (c) and (d) of paragraph 17
- c. The total valuation allowance recognized for deferred tax assets determined in procedure (e) of paragraph 17.

The net change during the year in the total valuation allowance also shall be disclosed. A **public enterprise** shall disclose the approximate tax effect of each type of temporary

difference and carryforward that gives rise to a significant portion of deferred tax liabilities and deferred tax assets (before allocation of valuation allowances). A **nonpublic enterprise** shall disclose the types of significant temporary differences and carryforwards but may omit disclosure of the tax effects of each type. A public enterprise that is not subject to income taxes because its income is taxed directly to its owners shall disclose that fact and the net difference between the tax bases and the reported amounts of the enterprise's assets and liabilities.

3. The issues are:
  - a. Should entities use their own judgement to determine whether they are a public or nonpublic enterprises as those terms are not defined in the SSAP?
  - b. As noted in paragraph 17 of SSAP No. 10, there is a specific reference to require the nonpublic disclosure of paragraph 47 of FAS 109; therefore should there be specific guidance for paragraph 43?

#### **INT 00-21 Discussion**

4. The working group reached a consensus to adopt a requirement that all entities complete the provisions of SSAP No. 10 paragraph 18 following the public enterprises guidelines outlined in paragraph 43 of FAS 109. The rationale for the recommendation is that it is important for analysts to see this level of detail every year rather than every three years when an examination is completed. In addition, as the concept of deferred income taxes is new to the regulators, the working group feels that additional disclosure is appropriate.

#### **INT 00-21 Status**

5. No further discussion is planned.