

SEC Staff Issues Guidance Regarding Tax Cuts and Jobs Act

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On December 22, 2017, the Tax Cuts and Jobs Act (the Tax Act) was signed into law. On the same date, the SEC staff issued Staff Accounting Bulletin No. 118 (SAB 118), in which the staff provided guidance for publicly traded companies, auditors and others to help ensure timely public disclosures of the accounting impacts of the Tax Act. SAB 118 is intended to assist companies in applying the Financial Accounting Standards Board's Accounting Standards Codification Topic 740, Income Taxes (ASC Topic 740) in the reporting period in which the Tax Act was enacted, particularly in circumstances in which the accounting for certain income tax effects of the Tax Act is incomplete at the time of issuance of a company's financial statements for the reporting period.

Also in late December 2017, the staff of the SEC's Division of Investment Management issued an information update (the Information Update) responding to concerns that funds taxed as C corporations under the Internal Revenue Code had raised regarding the impact of the Tax Act on their daily net asset value calculations. Any fund that includes deferred tax asset or liability calculations in its net asset value calculation is affected by the Tax Act's new lower corporate tax rate. In the Information Update, the staff indicated that funds may apply SAB 118 to their daily net asset value calculations by making a reasonable estimate of the Tax Act's effect. Any future change in that estimate, based upon new or more precise information, would be a change in the estimate and not a net asset value error. The staff also stated that funds must inform investors regarding the material impacts of the Tax Act on net asset value calculations and material provisions for which the accounting is incomplete, if applicable. The disclosures about these impacts may be made in a press release, website disclosure or "some other reasonable manner."

SAB 118 is available at: <https://www.sec.gov/interps/account/staff-accounting-bulletin-118.htm>

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National Law Review, Volumess VIII, Number 19

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