

40<sup>th</sup> Annual TEI-SJSU High  
Tech Tax Institute  
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# Hot Topics in Accounting for Income Taxes

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## Agenda

- Presidential Candidate Tax Plans / Expiring Tax Provisions
- ASU 2023-09 Improvements to Income Tax Disclosures

Presidential Candidate Tax Plans /  
Expiring Tax Provisions

# 2024 Presidential Outlook

## Nearly unprecedented:

- Latest a leading modern candidate has dropped out was Truman on March 29, 1952 and Johnson on March 31, 1968 (July 21!)
- Last sitting president declining to run was Johnson in 1968
- Last election loser renominated was Nixon in 1968
- Last candidate to run after surviving an assassination attempt was Reagan in 1984

## More unknowns than knowns:

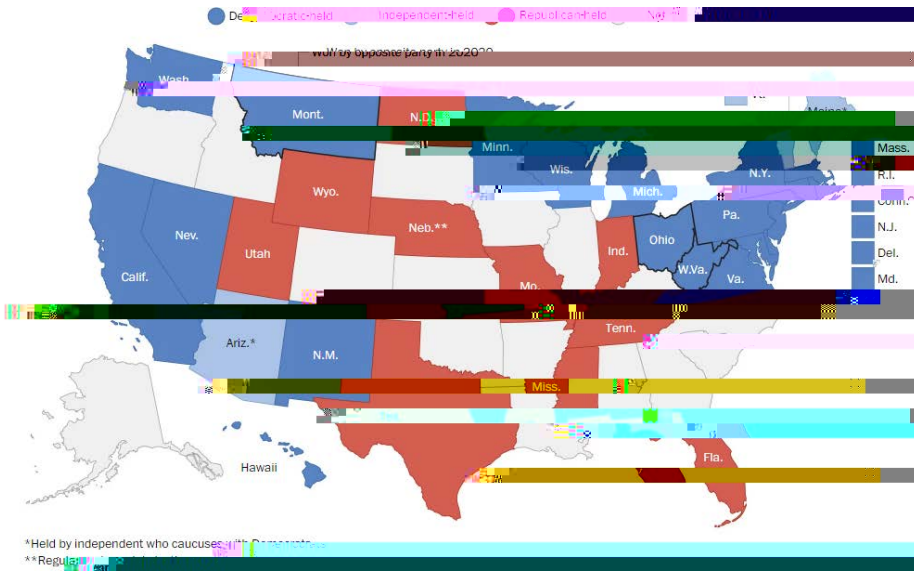
- Very little precedent for current environment
- Are polls worthless?

It's not all about the results: Policy outcomes also hinge on what emerges during campaigns

## Key Aspects of Tax Platforms

	Trump	Harris
Corporate rate	<ul style="list-style-type: none"> <li>• Retain 21%</li> <li>• 15% rate for domestic activity</li> </ul>	<ul style="list-style-type: none"> <li>• Increase to 28% Previous at 35% ?</li> <li>•</li> </ul>

# 2024 Senate Outlook



## Dem s

- 23 seats to defend
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# Tax mageddon 2025

Expiring provision	Cost
Individual tax provisions, including:	
• Section 199A deduction	
• SALT deduction	
• AMT thresholds	\$3.9 trillion
• Rate and bracket changes	
• Itemized and standard deductions	
• Estate and gift tax exemption	
Expiring tax benefits, including:	
• Work opportunity tax credit	
• New markets tax credit	\$216 billion
• CFC look-through rule	
• Bonus Depreciation phase out (ending 2026)	
International provisions:	
• GILTI deduction from 50% to 37.5%	
• FDII deduction from 37.5% to 21.875%	\$197 billion
• BEAT rate from 10% to 12.5%	

Triggers are in place to force major tax legislation next year

Not necessarily offense v defense

## What Does it Mean for Planning?

Despite uncertainty, there are things you can consider now:

- Pillar 2: Complex data-driven exercise to assess in-scope entities and safe harbors, modeling, new automated processes, return prep and filing, proactive planning
- Hold off on energy projects? What will survive?
- Estate and gift planning
- Section 163(j) and 174 and fixed assets: Interest capitalization to mitigate limit on interest deduction
- Timing plays with rate changes: Be careful of downsides with uncertain outlook (FDII?)

Would expiration dramatically alter entity choice? CBO thinks so . . .but many policy



## Will Chevron make the regs vulnerable?

### Supreme Court throws out Chevron test for assessing reg validity:

- Is the statute silent or ambiguous?
- If yes, is the agency ruling reasonable?

### New test?

- Not as clear: Potentially Skidmore: Thoroughness of the agency's analysis, validity of its reasoning, consistency of interpretation with other agency interpretations
- Big difference if specific grant of authority

## Other Impacts of Chevron

### Potential consequences:

- More frequent challenges to regs
- Slower reg process with exhaustive analysis
- Less aggressive attempts to bend statute
- More specific grants of authority from lawmakers? More expansive legislative history? Statutory fixes to address ch( )-6.3(-pL)17B(-0.032 0 0 20.0(S441(i)0.(M)4



## Tax Accounting Effects - Reminder

- The effect of a tax law change is reported as a discrete item in continuing operations in the period of enactment
- The effect includes any necessary adjustments to existing deferred tax assets and liabilities
- Since deferred taxes are measured at the enacted tax rate at which the underlying temporary differences are expected to reverse, scheduling the reversal of existing temporary differences may be necessary in some cases
- The forthcoming highlights, of both legislative and non-

## ASU 2023-09 Improvements to Income Tax Disclosures



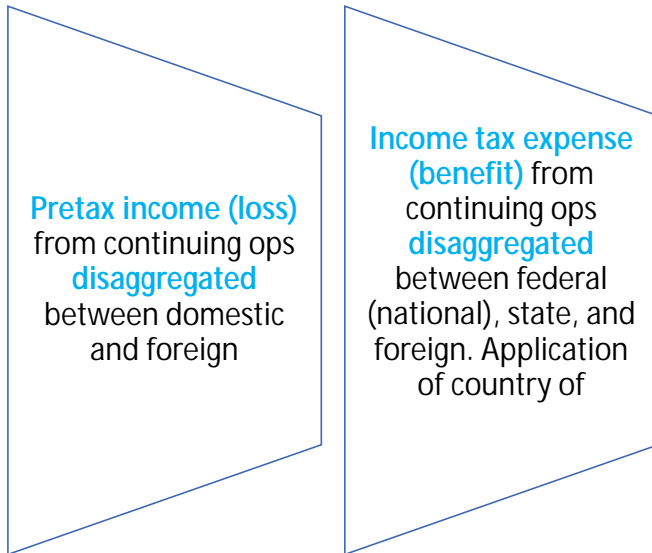
All entities – disclose (annual basis only) income taxes paid (net of refunds received) disaggregated by:

- Federal, state, and foreign taxes.
- Individual jurisdiction on basis of quantitative threshold of 5% of total income taxes paid (net of refunds received).
- Comparative disclosures are not required.

Public Business Entity:



## Others



## Income Tax Disclosure - Example

Adoption/ Transition	Year Ended
<ul style="list-style-type: none"> <li>• PBEs: Annual periods beginning after December 15, 2024, and interim periods beginning after December 15, 2025</li> <li>• All other entities: Annual periods beginning after December 15, 2025, and interim periods beginning after December 15, 2026</li> <li>• Early adoption is permitted for annual financial statements that have not been issued or made available for issuance</li> <li>• Prospective application is required, retrospective application is permitted</li> </ul>	