

# Welcome

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## Automating Tax Reporting with OneSource TaxStream Provision Part 2: FIN 48

February 24, 2009

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## FIN 48 – Accounting for Uncertain Tax Positions

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- Guidelines on Uncertain Tax Positions (UTP)
- Need to apply a two-step analysis of all UTPs for all open years
  - Must determine whether tax benefits reported on tax return would more-likely-than-not (mltn) be sustained upon examination (more than 50%)
  - If mltn is standard is met, must measure the greatest amount of tax benefit that would be mltn be realized upon settlement
  - If mltn standard is not met, none of the tax benefits can be reported on financial statements
- Effective date for public companies was fiscal years beginning after 12/15/06
- Effective date for non-public companies is fiscal years beginning after 12/15/08

# Steps to Implement FIN 48

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- Planning
- Identify tax positions at the appropriate unit of account
- Evaluate uncertain tax positions for recognition
- Measure expected tax benefits
- Determine classification
- Accrue interest and penalty expense
- Prepare disclosures

## Why not use Spreadsheets?

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- Risks of utilizing spreadsheets grow as tax laws become more complex
- Spreadsheet errors increase in direct proportion to the number of people using the spreadsheet and the number of years it has been used
- SEC: 1/3 of companies reporting material weaknesses resulting in financial restatements cited tax reporting processes and controls as one of their problems
- More time spent on mechanics rather than efficiently allocating time to tasks such as analyzing complex tax issues

## Benefits of Automated Process

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- **SAVE TIME:** Automatically generates FIN 48 disclosures
- **MANAGE RISK:** Can attach multiple levels of documentation to satisfy auditors
- **INTEGRATE:** Built in Time Value software for interest and penalty calculation
- **TRACK:** Sort UTP by issue type, entity, jurisdiction or period
- **MAINTAIN CONTROL:** One central location to track UTP, disclosures and documentation

# Titus and TaxStream

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- Titus is a Channel Partner with TaxStream, providing a full range of consulting services around the TaxStream product suite.
- Services include:
  - ✓ Implementation support
  - ✓ Process improvement
  - ✓ Accounting services
  - ✓ Sarbanes-Oxley assistance

# Titus and TaxStream

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- Titus and TaxStream bring complementary skill sets to the implementation process
- Titus Provides:
  - ✓ Expansive FIN 48 tax accounting knowledge
  - ✓ Federal, state and local, and international tax expertise
  - ✓ Business knowledge to ensure that complex reporting is accurate and in the optimal format.
- TaxStream provides:
  - ✓ Internal first hand knowledge of the software
  - ✓ Report modifications to meet client needs
  - ✓ Software customization

As a Team, Titus and TaxStream ensure a seamless implementation process

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## Why TaxStream?

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- Only provision software used by all Big 4 firms and 40% of Fortune 500
- Multi-user platform that is Web accessed
- Corporate tax departments are finding a need for a more sophisticated way to track, manage and document FIN 48 items and can do so with TaxStream
- TaxStream software provides state by state interest and penalty calculations
- TaxStream integrates the FAS 109 and FIN 48 software
- Generates all five required FIN 48 disclosures as well as the FIN 48 impact on your SEC footnote

# Process Improvement

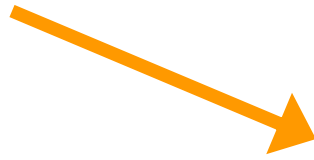
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## Existing Process

Determining scenarios

Likelihood judgments

Document Policies



## Room for Improvement

-Measurement of the Issues

-Tracking UTPs

-Documentation

-Interest, Penalties, CTA

-Creating Disclosures

-Ad-hoc UTP reporting for management and audits

-SOX Compliance



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different by design™  
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# Using Technology for Issue Management and Documentation

- Click **Uncertain Positions** on the Navigation Bar



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My TaxStream **Uncertain Positions** Reporting Admin Center Settings

Client: Test UTP Unit: D1000 (ABC Corporation) Dataset: New Dataset 1 (2008)

## Uncertain Positions

Filter On: Select one...

Select an Action... 50

<input type="checkbox"/>	Code	Name	Jurisdiction	Year	Class.	Status	Expected to be Resolved (End)	Statute of Limitations (End)	Likelihood Greater Than 50% (End)	Amount in Question (Begin)	Amount in Question (End)	Amount Expected to be Sustained (Begin)	Amount Expected to be Sustained (End)
<input type="checkbox"/>	P1000	Meals & Entertainment	Fed	2007	S	New	2007, Q1	2007, Q1	Yes	0	-2000000	0	-1200000
<input type="checkbox"/>	P1000	Meals & Entertainment	MA	2005	S	SET	2009, Q4	2012, Q1	No	0	-3000000	0	0
<input checked="" type="checkbox"/>	P1000	Meals & Entertainment	MA	2005	S	New	2009, Q4	2012, Q1	Yes	0	-3000000	0	0
<input type="checkbox"/>	P1000	Meals & Entertainment	CA	2004	S	RO	2008, Q3	2011, Q2	Yes	0	-150000	0	0
<input type="checkbox"/>	P1000	Meals & Entertainment	CA	2004	S	New	2009, Q1	2011, Q2	No	0	-150000	0	0
<input type="checkbox"/>	P1000	Meals & Entertainment	Fed	2006	S	SET	2009, Q1	2011, Q1	No	0	-1000000	0	0
<input type="checkbox"/>	P1000	Meals & Entertainment	Fed	2006	S	New	2009, Q1	2011, Q1	Yes	0	-1000000	0	0
<input type="checkbox"/>	P3000	Officer's Life Insuranc	NY	2006	S	RO	2007, Q1	2008, Q1	Yes	0	-500000	0	0
<input type="checkbox"/>	P3000	Officer's Life Insuranc	NY	2006	S	New	2007, Q1	2008, Q1	Yes	0	-500000	0	0
<input type="checkbox"/>	P3000	Officer's Life Insuranc	Fed	2003	S	RO	2010, Q2	2013, Q3	Yes	0	-250000	0	0

# Recognition: a Step by Step Approach

**Add a New Uncertain Tax Position**

Upon ultimate audit resolution, is it more likely than not (greater than 50% chance) that you will sustain any portion of the item in question?

Yes  No

Cancel Back Next

- Amount Sustained Current
  - Pre-populated, but can be edited as needed

**Add a New Uncertain Tax Position**

**Cumulative Probability must total 100%**

	<u>Amount Sustained Current</u> (recalculate)	<u>Probability Current%</u>	<u>Cumulative Probability</u>
1	(2,000,000)	10	10%
2	(1,750,000)	25	35%
3	(1,500,000)	0	35%
4	(1,200,000)	40	75%
5	(1,000,000)	0	75%
6	(750,000)	0	75%
7	(500,000)	25	100%
8	(250,000)	0	100%
9	0	0	100%

Cancel Back Next

# Using Technology to Manage Interest and Penalties

- Interest and Penalties

## Federal

Add a New Uncertain Tax Position

**Interest & Penalties Calculator**

Interest:  Interest Calc on: 612500  
Interest Start Date: 03/15/2006  
Interest End Date: 03/31/2008  
Jurisdiction: Fed

Hot Interest:  Hot Interest Date:

Penalty 6661:  Enter Amount:  
Date return Due:  
Date Assess:

Penalty 6651A1:  Enter Amount:  
Date return Due:  
Date Notice:  
Date Received:  
Use 100 min:

Back Calculate

## Pre-Defined State

Add a New Uncertain Tax Position

**Interest & Penalties Calculator**

Designation: Domestic:  Foreign:

Interest:  Interest Calc on: 175000  
Interest Start Date:  
Interest End Date:  
Jurisdiction: CT

Hot Interest:  Hot Interest Date:

Penalties:  Penalty Rate: 0

Back Calculate

## Custom Jurisdiction

Add a New Uncertain Tax Position

**Interest & Penalties Calculator**

Designation: Domestic:  Foreign:

Interest:  Interest Calc on: 175000

Start Date	End Date	Rate
03/15/2006	03/15/2007	07.00
✗ 03/16/2007	03/31/2008	07.25

+ Add Another Rate

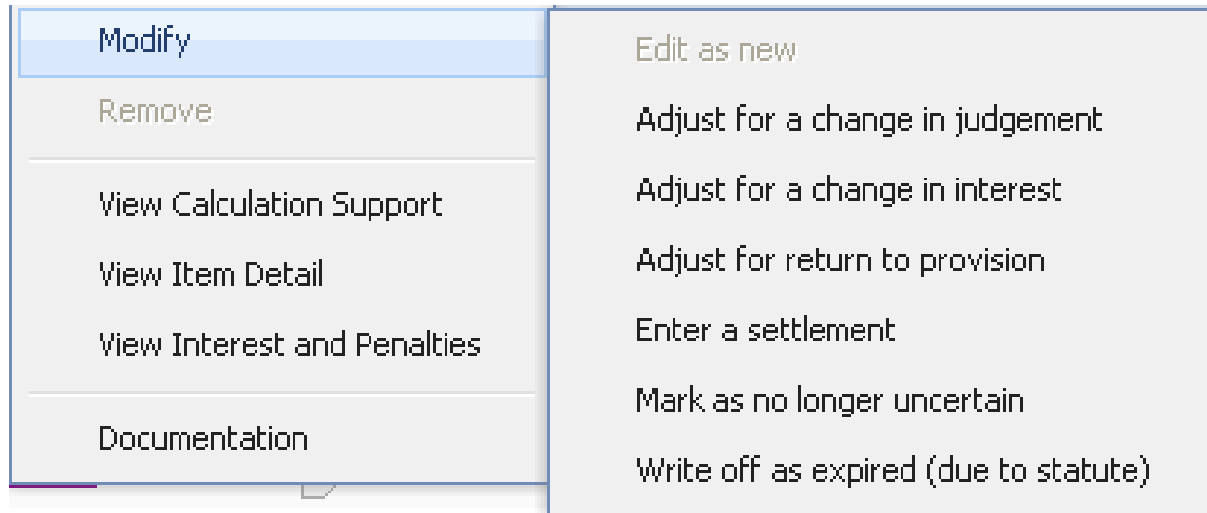
Penalties:  Penalty Rate: 0

Back Calculate

# Adjustments and Settlements in Future Periods

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- Once a position has been added, you can click on the item's code (hyperlink) to: Edit or Remove (if it was added during the current period) or Modify the item for an event, view an individual item's schedules, or Add or View documentation related to the item.



# Tabular Roll-forward



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Client: DEMO1 Unit: D1000 (SYMMETRICOM, INC.) Dataset: 2007 FIN 48 Basis (Unrecognized) (2007)

## Reporting

Report: Tabular Payable Rollforward | Jurisdiction: Federal + All States | Gross / Benefit Option: Net of Benefit | Currency: Local | Unit / Subconsolidation: DOMESTIC | Label: Select one... | Go »

### DEMO1

Tabular Payable RollForward ()  
2007 FIN 48 Basis (Unrecognized) (2007 FY), DOMESTIC  
(Fed + All States (Net of Benefit))

show: [all above the line](#) [above the line - interest only](#)  
view: [contract](#) [expand](#)

	Total	Tax	Other Tax	Interest	Penalties	CTA
<b>Beginning Balance:</b>	0	0	0	0	0	0
Additions based on tax positions related to the current year:	(5,096,329)	(672,440)	0	(4,423,889)	0	0
Additions for tax positions of prior years:	(2,089,825)	(1,670,629)	0	(419,196)	0	0
Reductions for tax positions of prior years:	0	0	0	0	0	0
Settlements:	0	0	0	0	0	0
Statute:	0	0	0	0	0	0
<b>Ending Balance:</b>	(7,186,154)	(2,343,069)	0	(4,843,085)	0	0

# Open Years and Jurisdictions



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My TaxStream

Uncertain Positions

Reporting

Admin Center

Settings

Client: DEMO1 Unit: D1000 (SYMMETRICOM, INC.) Dataset: 2007 FIN 48 Basis (Unrecognized) (2007)

Report: UTP Open Years & Jurisdictions	Jurisdiction: Federal + All States	Gross / Benefit Option: Net of Benefit	Currency: Local	Unit / Subconsolidation: DOMESTIC	Label: Select one...	Go »
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## DEMO1

UTP Open Years and Jurisdictions Report ()  
2007 FIN 48 Basis (Unrecognized) (2007 FY), DOMESTIC  
(Fed + All States (Net of Benefit))

group by: [jurisdiction](#) [year](#) [unit](#) [jurisdiction](#) [unit](#) [year](#)  
view: [contracted](#) [expanded](#)

	<u>Year</u>
<a href="#">AL (Alabama)</a>	2007
<a href="#">AZ (Arizona)</a>	2004
<a href="#">CA (California)</a>	2003 2007
<a href="#">Fed (Federal)</a>	1988 1990 2001 2002 2003



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# Impact of FIN 48 to the Effective Tax Rate

Component	PTBI	Tax Effect <i>brkout</i>	Rate Effect <i>brkout</i>
ptbi: Pre-Tax Book Income	37,900,001	13,265,000	35.0000%
st: State and Local Income Taxes		2,510,736	6.6246%
erds: Effect of Rates Different than Statutory		1,551,750	4.0943%
PD: Permanent Differences (ex Equity Adjs)		1,483,475	3.9142%
TD: Temporary Differences		56,500	0.1491%
NOLTD: NOLs		0	0.0000%
TADJ: Tax Adjustments		(3,300,000)	(8.7071%)
ATTD: After-Tax Temporary Differences		38,000	0.1003%
DPOA: Deferred Provision Only Adj		(70,000)	(0.1847%)
Total Provision (Certain)		15,535,462	45.0152%
FIN48: Total Provision (FIN48)		1,525,283	4.0245%
Total Provision		17,060,745	45.0152%



FIN48: Total Provision (FIN48)		
P1000: Meals & Entertainment (50%)	629,382	1.6606%
P2000: Goodwill	246,935	0.6515%
P3000: Officer's Life Insurance	153,000	0.4037%
P4000: Subpart F Income	0	0.0000%
P5000: Foreign Tax Credit Gross-up	0	0.0000%
P6000: Stock Options Exercised	415,965	1.0975%
P7000: Disallowed Expenses	0	0.0000%
T6000: Translation	78,447	0.2070%
T1000: Operating Reserve	1,554	0.0041%
SubTotal:	1,525,283	4.0245%

# Future Points

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- Somewhat different interpretations on CTA
- Interim Reporting
- Data Integration (rules, rates, etc)
- Could change if full convergence with IFRS
  - No current equivalent