

Quarterly Financial Reporting Update: June 2025

Teaser Video Transcript

Disaggregation requirements for taxes

Well, thank you for that context, Kendra. As a reminder, the tabular rate reconciliation is required for public business entities, while a qualitative narrative is required for non-public business entities.

That's right, Carolyn. And regardless of whether you're a public business entity or not, and entities required to consider the effects of each of the categories that we've listed in Teal on this slide. So in other words, all entities are required to consider the effects of state and local income tax, foreign tax, changes in tax laws or rates enacted during the period, and so on. Public business entities must disclose these effects in amount and percentage in that tabular rate reconciliation. And as Carolyn mentioned, non PBES can provide qualitative disclosure. So what if a non PBE wants to provide the reconciliation in tabular format?

Well, while that format is not required, they certainly a non PBE is certainly and absolutely allowed to voluntarily provided if they want to. Great. Well, there are a few other disclosures added in this update. Let's take a look at those next. And Carolyn, I can talk us through these additional updates. So the first two items listed on this slide are the 2 new disaggregation requirements for taxes paid and all entities are required to disclose income taxes paid by federal or national, state and foreign taxes. And then in addition, all entities are required to disaggregate income taxes paid to each jurisdiction, each jurisdiction equal to or greater than 5% of the total income taxes paid.

And the FASB also added some disaggregated disclosures for the income statement amounts, right? That's right. There's a couple of disclosures there. 1st, all entities are required to disclose the income or loss from continuing operations before tax expense or benefit disaggregated between domestic and foreign income or loss for each annual reporting period. Then, second, the entities are required to disclose the income tax expense or benefit from continuing operations disaggregated by federal, state and foreign taxes, again for each annual period. And what should an entity do with income taxes on foreign earnings, but the taxes are imposed by the entity's jurisdiction of domicile?

That's a good question. So an entity should include those income taxes on foreign earnings within the amount for the jurisdiction of domicile that's imposing the tax, even though the tax itself is imposed on foreign earnings.