

Tax Disclosure ASU: Key Updates for Public and Private Entities

Teaser Video Transcript

Effective Date and Transition

OK, so we talked about scope. Now let's talk about the next big thing, effective date and transition.

Yeah. And I can talk us through that. So public business entities are going to be required to adopt the guidance in this update for fiscal years beginning December 15th, 2024. So for calendar year public business entities, your disclosure will be in your December 31st, 2025 10-K file. Nonpublic business entities were given an additional year to adopt.

All entities are going to be required to adopt on a prospective basis. But if you like you can adopt on a retrospective basis and there is the ability to early adopt as well. What do you want to clarify? Any amendments in this update are only applicable for annual reporting periods, which is why there's not an effective date for any interim periods.

Great point, Alex. Yeah. And I just add that if an entity is considering adopting on a retrospective basis, which include basically all the comparative periods presented, it's important to ensure that you have the right information at hand to do that.

That's a great reminder for them. I'll also add a reminder on materiality when implementing the new standard. So while discussed by the FASBY, they ultimately choose not to include a discussion on materiality since the guidance in Topic 105 applies to all guidance within the codification. However, I feel it's important to reiterate here that the guidance in this update does not need to be applied to immaterial items. So when determining which reconciling items to disclose, just keep in mind whether they're qualitatively or quantitatively immaterial.