

FASB Finalizes Decisions on Income Tax Consequences of Intra-Entity Asset Transfers

At its meeting yesterday, the FASB redeliberated its proposed Accounting Standards Update (ASU) on the accounting for the income tax consequences of intra-entity transfers of assets.

At its [October 5, 2015](#), meeting, in response to concerns raised by some constituents about the costs and complexity of implementing the proposed ASU, the Board had instructed its staff to perform additional research and outreach on the costs and benefits of a practical expedient for intra-entity inventory transfers. The Board redeliberated the proposal at yesterday's meeting and decided to retain the proposed amendment to remove the exception in ASC 740¹ that prohibits the immediate recognition of the tax consequences (both current and deferred) of intra-entity asset transfers, except for transfers of inventory. The Board's conclusion differs from its guidance in the proposed ASU because the current decision would retain the exception for intra-entity transfers of inventory.

Transition Method

The FASB affirmed its decision to require adoption of the proposed guidance on a modified retrospective basis with a cumulative-effect adjustment directly to retained earnings as of the beginning of the year of adoption. In addition, the FASB decided to retain the proposed ASU's transition disclosure requirements.

Effective Date and Early Adoption

The final ASU will be effective for public business entities for annual periods beginning on or after December 15, 2017, including interim and annual periods. For other entities, the amendments will be effective for annual periods beginning after December 15, 2018, and interim periods in annual periods beginning after December 15, 2019. The Board also decided that all entities would be allowed to early adopt the amendment as of the beginning of an entity's annual period.

Next Steps

The Board authorized the staff to draft a final ASU. The FASB staff will continue to assess and present to the Board any additional issues identified during the drafting of the final standard.

¹ FASB Accounting Standards Codification Topic 740, *Income Taxes*.

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