



In This Issue

- [Issue 21-A, "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method"](#)
- [Administrative Matters](#)

Summary of the November Meeting of the Emerging Issues Task Force

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This *EITF Snapshot* summarizes the November 11, 2021, meeting of the Emerging Issues Task Force ("EITF" or "Task Force"). Initial Task Force consensus (consensus-for-exposure) are exposed for public comment upon ratification by the Financial Accounting Standards Board (FASB). After the comment period, the Task Force considers comments received and redeliberates the issues at a scheduled meeting to reach a final consensus. Those final consensus are then provided to the FASB for final ratification and, ultimately, issuance as an Accounting Standards Update (ASU).

The official EITF minutes will be posted to the [Deloitte Accounting Research Tool \(DART\)](#) and to the [FASB's Web site](#) (note that the official EITF minutes may contain details that differ from those in this publication). EITF meeting materials (released before the meeting and used to frame the discussion) are also available on those sites.

Issue 21-A, "Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method"

Status: Initial deliberations.

Affects: Entities that invest in tax credit programs other than low-income housing tax credit (LIHTC) investments.

Background: Through the LIHTC program established by the federal government, tax credits are awarded to developers of low-income housing. These developers often monetize the value of tax credits with investors. For the investor to receive these tax credits, a limited liability entity is typically established in which the developer acts as the general partner and the investor acts as the limited partner.

In January 2014, the FASB issued [ASU 2014-01](#)¹ (codified in ASC 323-740²), which allows investors to use the proportional amortization method to account for LIHTC investments if the criteria in ASC 323-740-25-1 are met. ASC 323-740-35-2 states that, “[u]nder the proportional amortization method, the investor amortizes the initial cost of the investment in proportion to the tax credits” received through the LIHTC investment. Further, the investor recognizes the amortization and the tax credits on a net basis in its income statement as a component of income tax expense from continuing operations. If the criteria in ASC 323-740-25-1 are not met, the investor typically uses the equity method to account for its investment.

Since the issuance of ASU 2014-01, stakeholders have continued to support expanding the proportional amortization method to investments in tax credit programs other than LIHTC investments. At its September 22, 2021, meeting, the FASB decided to add a project on this topic to the EITF’s technical agenda. Accordingly, if the EITF reaches a consensus that such an expansion is appropriate, it will evaluate whether narrow clarifications should be made to the current criteria in ASC 323-740-25-1 to permit entities to use the proportional amortization method to account for investments in tax credit programs other than LIHTC investments.

Summary: At this meeting, the FASB staff held an educational session (i.e., non-decision-making meeting) on this issue. During the meeting, the FASB staff gathered initial feedback from the Task Force on any technical topics on which additional research is needed as well as on any additional stakeholder outreach that the staff should perform. In addition, the Task Force discussed several tax credit structures, including the New Market Tax Credit Program, the Historic Rehabilitation Tax Credit Program, and the Renewal Energy Tax Credit (RETC) Program. The Task Force provided the FASB staff with substantial feedback on the RETC Program because of the timing, amount, and potential variability of the cash flows received by the investor from this tax credit structure.

Effective Date and Transition: If the Task Force reaches a consensus at a future meeting, it will discuss effective date and transition.

Next Steps: The Task Force is expected to redeliberate this Issue at its next meeting after considering the FASB staff’s additional research.

Administrative Matters

The next EITF decision-making meeting is tentatively scheduled for March 24, 2022.

¹ FASB Accounting Standards Update No. 2014-01, *Accounting for Investments in Qualified Affordable Housing Projects* — a consensus of the FASB Emerging Issues Task Force.

² FASB Accounting Standards Codification (ASC) Topic 323-740, *Investments — Equity Method and Joint Ventures: Income Taxes*.

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The purpose of this publication is to briefly describe matters discussed at the most recent meeting of the Emerging Issues Task Force. This summary was prepared by Deloitte's National Office. Although this summary of the discussions and conclusions reached is believed to be accurate, no representation can be made that it is complete or without error. Official meeting minutes are prepared by the Financial Accounting Standards Board staff and are available approximately three weeks after each meeting. The official meeting minutes sometimes contain additional information and comments; therefore, this meeting summary is not a substitute for reading the official minutes. In addition, tentative conclusions may be changed or modified at future meetings.

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