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IRS presses Large Corporations for Greater Disclosure

It is a proposed revision of a current tax practice that has got executives of large corporations sweating under the collar. Every year, the current practice is for large corporations to detail to the IRS any tax amounts they may have avoided paying due to questionable accounting methods. These corporations even have to set aside a sum of money to pay for a shortfall of their taxes if an audit proves they owe more than they have paid.

However, if the IRS fails to uncover the exact questionable tax position of the corporations within the 3-year statute of limitations period, then whatever taxes that were not paid cannot be collected anymore.

But in a move to further scrutinize large corporations and exact taxes from them, IRS Commissioner Doug Shulman is proposing that large corporations also provide a brief description of their uncertain tax positions and their rationale behind it. This would make the job of tax agents much easier when auditing large corporations. They would already have a basis to start checking the tax positions of these corporations right off the bat.

For accountants and company executives, whose jobs are to save money for the companies, this proposed regulation is a nightmare. Many fear that the information given by the corporations can and will be used against them in an audit. Rather than the tax agents working with the corporations to determine an equitable amount of tax to be paid, they can simply short-circuit the process, find an issue and press for more taxes.

Another possible consequence is that this regulation might have an impact on business and the financial markets because some of the disclosures might be linked to legally privileged information. Therefore, there is a possibility that corporate executives might try to conceal such information from their accountants and auditors.

Many observers already predict that this regulation would result in a fresh round of the cat and mouse game between the IRS and big corporations where now the

corporations would seek new methods to reduce the amount of information they have to reveal.

For an idea of the extra taxes involved, just consider some of America's largest corporations and the amount of uncertain taxes they declared last year - Microsoft's position was \$5.4 billion, Bank of America's was \$5.2 billion, the American International Group reported \$4.8 billion and Goldman Sach's position was \$1.9 billion in uncertain taxes. In total, Fortune 500 companies in America had more than \$200 billion in uncertain tax positions.