



IRS Proposal to Require Disclosure of Uncertain Tax Positions

The IRS announced on January 26, 2010 (Announcement 2010-9) it is proposing that business taxpayers report their uncertain tax positions as determined under accounting statement Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes (FIN 48), or other similar accounting standards. Specifically, the IRS said it is developing a new tax schedule for businesses to file if their total assets exceed \$10 million, if they have one or more uncertain tax positions that affect their U.S. federal income tax liability and if the taxpayer determines its federal income tax reserves under FIN 48.

In remarks to the New York State Bar Association Tax Section annual meeting, IRS Commissioner Doug Shulman said requiring corporate taxpayers to disclose their uncertain tax positions would make corporate audits more efficient. "Today, we spend up to 25% of our time in a large corporate audit searching for issues rather than having a straightforward discussion with the taxpayer about the issues," he said in prepared remarks. Shulman characterized the plan as a reasonable approach to the problem. "We believe we have crafted a proposal that gives us the information we need to do our job without trying to get in the heads of taxpayers as to the strengths or weaknesses of their positions," he said.

Under the proposal, taxpayers would be required to provide the rationale for the uncertain tax position and a concise general statement of the reasons that it is uncertain. The description must contain the applicable tax code sections; the tax years involved; a statement that the position involves income, gain, loss, deductions or credits; whether the item is permanent or affects timing; and whether the position involves the value or basis of property.

The IRS intends to publish this new schedule "as quickly as possible" and has asked the public to submit comments on the proposal by **March 29**.

While the above-described IRS plan is still in proposal stage, we believe this update is noteworthy and that affected taxpayers should be made aware of this development as early as possible. GBQ will continue to monitor this development. Should you have any further questions, please contact your GBQ tax representative at 614.221.1120.