

## EITF ABSTRACTS

Issue No. 93-12

**Title:** Recognition and Measurement of the Tax Benefit of Excess Tax-Deductible Goodwill Resulting from a Retroactive Change in Tax Law

**Date Discussed:** September 23, 1993

**References:** FASB Statement No. 109, *Accounting for Income Taxes*  
FASB Special Report, *A Guide to Implementation of Statement 109 on Accounting for Income Taxes: Questions and Answers*

### ISSUE

The Omnibus Budget Reconciliation Act of 1993 (the Act) was enacted on August 10, 1993 and provides that the tax basis of goodwill can be amortized over 15 years. Under the Act, companies have the option of electing to retroactively apply this provision to business combinations that occurred after July 25, 1991, including amending a prior-year tax return(s) for prior-year amortization.

When a company elects to retroactively amortize goodwill in accordance with the Act, the issues are (1) how the tax benefit related to tax-deductible goodwill in excess of goodwill for financial reporting purposes should be determined and (2) how that benefit should be recognized under Statement 109.

### EITF DISCUSSION

The Task Force reached a consensus that a tax benefit related to tax-deductible goodwill in excess of goodwill for financial reporting purposes should be included in income from continuing operations in the period of enactment if the entity expects to elect to retroactively amortize goodwill for tax purposes. The tax benefit consists of both current and deferred components. A current tax benefit is reported for the effect of retroactive amortization deducted from the

combination date to the enactment date. A deferred tax benefit is reported for the tax-deductible goodwill (less retroactive amortization to the enactment date) in excess of the reported amount of goodwill as of the enactment date.

The accounting described in paragraph 262 of Statement 109 dealing with tax-deductible goodwill should be applied for business combinations occurring after the enactment date.

## **STATUS**

No further EITF discussion is planned.