

# FINANCIAL ACCOUNTING SERIES



## ACCOUNTING STANDARDS UPDATE

No. 2010-12  
April 2010

### Income Taxes (Topic 740)

Accounting for Certain Tax Effects of the 2010 Health  
Care Reform Acts

An Amendment of the *FASB Accounting Standards Codification*<sup>™</sup>

Financial Accounting Standards Board  
of the Financial Accounting Foundation

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# Amendments to the *FASB Accounting Standards Codification*<sup>TM</sup>

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## Introduction

1. The Accounting Standards Codification is amended as described in paragraph 2. In some cases, not only are the amended paragraphs shown but also the preceding and following paragraphs are shown to put the change in context. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

## Amendments to Subtopic 740-10

2. Add paragraph 740-10-S99-4 and related headings, with no link to a transition paragraph, as follows:

### **SEC Materials**

#### **> > SEC Staff Announcement**

#### **>>>SEC Staff Announcement: Accounting for the Health Care and Education Reconciliation Act of 2010 and the Patient Protection and Affordable Care Act**

**740-10-S99-4** The following is the text of SEC Staff Announcement: Accounting for the Health Care and Education Reconciliation Act of 2010 and the Patient Protection and Affordable Care Act

On March 30, 2010, the President signed the Health Care and Education Reconciliation Act of 2010, which is a reconciliation bill that amends the Patient Protection and Affordable Care Act that was signed by the President on March 23, 2010 (collectively the "Acts").

Recently, questions have arisen about the effect, if any, that the different signing dates might have on the accounting for these two Acts. This timing difference, related solely to the signing dates, should not have an impact on a majority of registrants because the Acts were both signed within a relatively short time period, which for the vast majority of companies falls into the same reporting period. However, there may be a limited number of registrants with a period end that falls between the signing dates for which the timing difference could raise questions about

whether the different signing dates have an accounting impact. For example, FASB Codification Topic 740, Income Taxes, requires the measurement of current and deferred tax liabilities and assets to be based on provisions of enacted tax law; the effects of future changes in tax laws or rates are not anticipated.

After consultation with the FASB staff, the Office of the Chief Accountant would not object to a view that the two Acts should be considered together for accounting purposes. That is, in this specific fact pattern the SEC staff would not object to a registrant incorporating the effects of the Health Care and Education Reconciliation Act of 2010 when accounting for the Patient Protection and Affordable Care Act. This view is based in part on the SEC staff's understanding that the two Acts, when taken together, represent the current health care reforms as passed by Congress and signed by the President. The SEC staff does not believe that it would be appropriate to analogize to this view in any other fact patterns.

## Amendments to Status Sections

3. Add paragraph 740-10-S00-1 as follows:

**740-10-S00-1** The following table identifies the changes made to this Subtopic.

<b>Paragraph Number</b>	<b>Action</b>	<b>Accounting Standards Update</b>	<b>Date</b>
740-10-S99-4	Added	2010-12	04/14/2010