



Impact on Your Organization: Accounting & Tax Update

COMMERCIAL/BUSINESS BREAKOUT



Objective & Agenda

To provide information about recent accounting pronouncements and a tax update to allow organizations to plan for changes in accounting and tax regulation.

1 RECENT
ACCOUNTING
PRONOUNCEMENTS

2 TAX UPDATE

3 Q&A

ASU
2016-02
LEASES



ASU
2016-02
LEASES

TOPIC 842

A lease contract conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration



Lessee Accounting OVERVIEW

	BALANCE SHEET	INCOME STATEMENT	CASH FLOW STATEMENT
FINANCE	<ul style="list-style-type: none">• Right-of-use (ROU) asset• Lease liability	<ul style="list-style-type: none">• Amortization expense• Interest expense	Cash paid for principal and interest payments
OPERATING	<ul style="list-style-type: none">• Right-of-use (ROU) asset• Lease liability	Single lease expense on a straight-line basis	Cash paid for lease payments

Leases

EFFECTIVE DATE

PUBLIC COMPANIES

Fiscal years beginning after December 15, 2018, including interim periods within those fiscal years (CY 2019; FY 2019-2020)

ALL OTHER ORGANIZATIONS

Fiscal year beginning after December 15, 2019 and interim periods beginning after December 15, 2020 (CY 2020; FY 2020-2021)

EARLY APPLICATION

Permitted for all organizations

** “Public Companies” refers to the following: (1) public business entities, (2) a not-for-profit entity that has issued, or is a conduit bond obligor for, securities that are traded, listed, or quoted on an exchange or an over-the-counter market, and (3) an employee benefit plan that files or furnishes statements with or to the SEC.*

Financing Leases

TYPE 1



Operating Leases

TYPE 2



ASU
2014-09

REVENUE
RECOGNITION



Effective Dates

	PUBLIC ENTITY	NON-PUBLIC ENTITY
ANNUAL PERIODS BEGINNING AFTER	December 15, 2017	December 15, 2018
INTERIM PERIODS WITHIN ANNUAL PERIODS BEGINNING AFTER	December 15, 2017	December 15, 2019
EARLY APPLICATION	Yes*	Yes*

* *Earliest application permitted is for annual and interim reporting periods beginning after December 15, 2016.*

Five-Step Process

1 IDENTIFY THE
CONTRACT WITH
CUSTOMER

2 IDENTIFY SEPARATE
PERFORMANCE
OBLIGATIONS

3 DETERMINE
TRANSACTION PRICE

4 ALLOCATE
TRANSACTION PRICE
TO SEPARATE
PERFORMANCE
OBLIGATIONS

5 RECOGNIZE REVENUE
WHEN (OR AS) ENTITY
SATISFIES
PERFORMANCE
OBLIGATION

Disclosures

SUFFICIENT FOR USERS TO UNDERSTAND

- Nature
- Timing
- Amount
- Uncertainty of revenue
- Cash flows arising from contracts with customers

QUALITATIVE AND QUANTITATIVE INFORMATION

ABOUT:

- Contracts with customers
- Significant judgments or changes thereto
- Assets recognized from costs to obtain or fulfill contracts



Does Not Apply To

LEASE CONTRACTS

Topic 840

FINANCIAL INSTRUMENTS

Various topics

GUARANTEES other than product warranties

Topic 460

INSURANCE CONTRACTS

Topic 944

**NON-MONETARY EXCHANGES BETWEEN ENTITIES
IN SAME LOB TO FACILITATE CUSTOMER SALES
OTHER THAN THE PARTIES TO THE EXCHANGE**



Stay
Tuned!

**[AICPA.ORG/INTERESTAREAS/FRC/
ACCOUNTINGFINANCIALREPORTING/
REVENUERECOGNITION/PAGES/
REVENUERECOGNITION.ASPX](https://aicpa.org/interestareas/frc/accountingfinancialreporting/revenuerecognition/pages/revenuerecognition.aspx)**



Other New ASU's

- Derivatives and hedging, including interest rate swaps
2017-12
- Stock-based compensation
(restricted stock, stock options, phantom stock)
2016-09, 2017-09
- Defined benefit pension/postretirement plans
2017-07
- Goodwill
2017-04



More New ASU's

- Statement of cash flows
2016-15, 2016-18
- Debt and equity investments
2016-01
- Deferred income taxes
2015-17
- Inventory
2015-11

Reviewed:
09/06/17

Tax

CHANGES ON THE HORIZON



Agenda

1 TAX REFORM

- What to expect
- When to expect it
- How to plan for 2017 and beyond

2 DEPRECIATION INCENTIVES

PATH Act changes

3 TAX TIDBITS

- Filing due dates
Notice 2017-47
- Penalty relief
- Leave-based donations
- State changes



Tax Reform



PRINCIPLES FOR TAX REFORM

- Simplicity
- Competitive
- Tax relief for middle-class families
- Repatriation of overseas profits

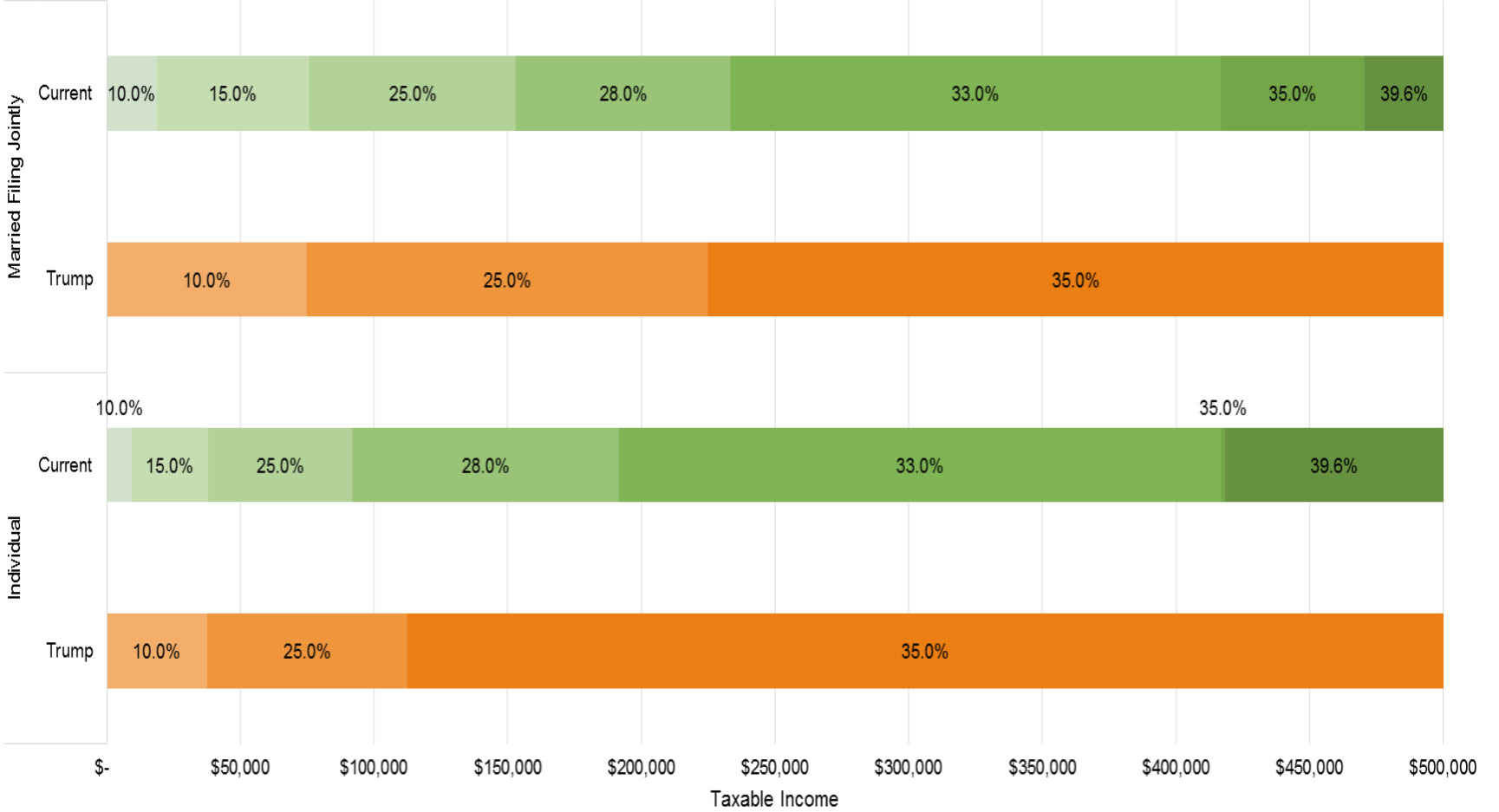
Tax Reform

House GOP Simplified Tax Reform Proposal

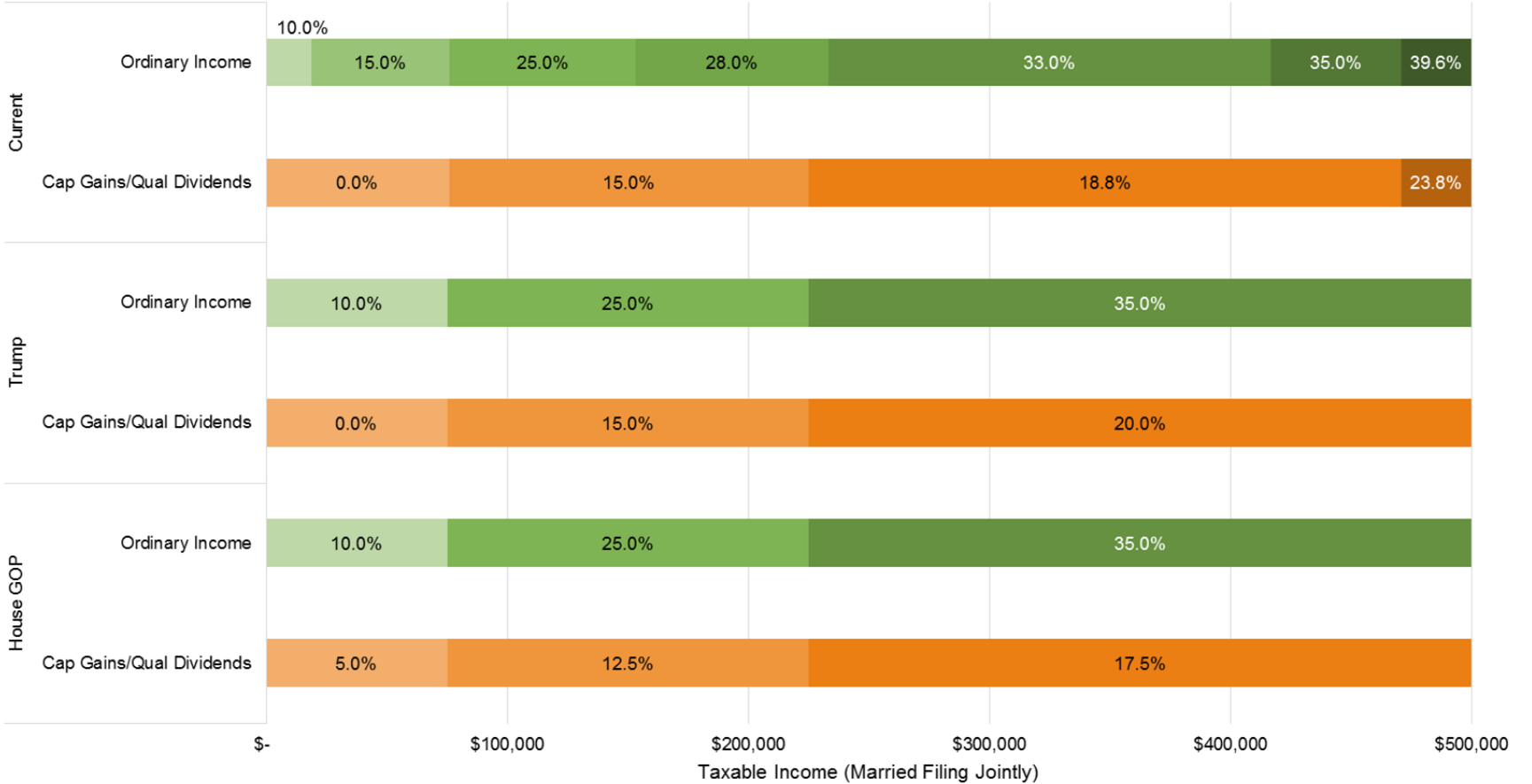
Simple, Fair "Postcard" Tax Filing

1	Wage and compensation income	1	
2	Add 1/2 of investment income	2	
3	Subtract contributions to specified savings plans	3	
4	Subtract standard deduction OR	4	
5	Subtract mortgage interest deduction	5	
6	Subtract charitable contribution deduction	6	
7	Taxable income	7	
8	Preliminary tax (from tax table)	8	
9	Subtract child tax credit	9	
10	Subtract earned income credit	10	
11	Subtract higher education credit	11	
12	Total tax	12	
13	Subtract taxes withheld	13	
14	Refund due/Taxes owed	14	\$ -

Comparison of Current Income Tax Brackets to President Trump's Proposal



Proposed Capital Gains Rates (and Qualified Dividends)





Tax Reform

IMPACT FOR BUSINESSES

- Lower tax rates
- Pass-throughs
- Border adjustment tax
- Expensing of business assets

TAX PLANNING STRATEGY 2017 AND BEYOND

Depreciation Incentives

PATH ACT 2015

BONUS DEPRECIATION EXTENDED

BONUS RATE YEAR ELIGIBLE PROPERTY PIS*

50%

2015-2017

40%

2018

30%

2019

0%

2020 AND BEYOND

QUALIFIED IMPROVEMENT PROPERTY

- Improvement to interior portion of non-residential building
- Improvements PIS after the date the building is first PIS
EXCLUDES: Enlargements, Elevators & Escalators and Building Interior Structures

Permanent 15-year recovery period for QLHI, QRP and QRI

* PIS = placed in service

Depreciation Incentives

PATH ACT 2015

SECTION 179 MADE PERMANENT

- Air conditioning and heating units can qualify for expensing
- Qualified real property made permanent

YEAR	OVERALL INVESTMENT LIMIT	EXPENSING LIMIT
2016	\$2,000,000	\$500,000
2017	\$2,030,000	\$510,000
2018	\$2,070,000	\$520,000

DON'T FORGET TANGIBLE PROPERTY REGULATIONS AND COST SEGREGATION

Tax Tidbits

CHANGES TO TAX RETURN DUE DATES

- Calendar year C Corporations
APRIL 15TH
- Calendar year Partnerships
MARCH 15TH

LATE FILING RELIEF

Notice 2017-47

FIRST-TIME PENALTY ABATEMENT WAIVER

Tax Tidbits

LEAVE-BASED DONATIONS

- Notice 2017-48 and 2017-52
- Employees forgo leave-based benefits for cash payments employer makes to qualified charity providing disaster relief



Tax Tidbits

STATE TAX ITEMS

MAINE


- Repeal of 3% surtax
 - Impact on estimated taxes

NEW HAMPSHIRE

- Conformity with IRC as of December 31, 2016
- Section 179 - \$100,000 (property PIS on or after January 1, 2017) \$500,000 (PIS after January 1, 2018)

BPT	BET	YEAR
8.2%	.72%	2016-2017
7.9%	.675%	2018
7.7%	.6%	2019

Reviewed:
09/18/17



“Ask the Experts”

**FREE RANGE
Q&A SESSION**



TRACY HARDING

Principal
tharding@berrydunn.com

SNO BARRY

Principal
sbarry@berrydunn.com