

Reportable Transaction Services.

Understand the requirements for reportable transactions and manage your exposure to penalties and SEC disclosure.



Your issue

Since the enactment of the American Jobs Creation Act of 2004, companies have had to develop processes and procedures to address the compliance requirements and penalties related to the disclosure of reportable transactions. Failure by corporations to disclose such transactions can result in federal penalties of up to \$200,000 per transaction.

In addition to "failure to disclose" penalties, companies also must consider accuracy-related penalties for understatements of tax attributable to certain reportable transactions. Such penalties can reach 30 percent of the applicable understatement. In certain cases, these penalties may also have to be disclosed to the SEC.

There have been numerous changes in the reportable transaction disclosure rules since 2005, and the rules continue to evolve.

For example:

- The significant book-tax difference and brief asset holding period categories of reportable transactions have been eliminated.
- A new "transactions of interest" category of reportable transactions has been added and a new category for patented transactions has been proposed.
- Transactions have been both added to, and removed from, the IRS's list of "listed transactions."
- New and updated regulations have been issued, guidance on the penalty provisions has been provided and much of the other guidance in this area, including the list of exemptions, has been revised.

In view of these changes, your company should consider updating its reportable transaction disclosure compliance processes and procedures. It is critical to have a well-defined and documented process for identifying, analyzing, and disclosing these transactions.

Deloitte can help.

Reportable Transaction Services

Our approach

Our Tax Controversy Services group can help your company keep pace with the requirements for reportable transactions and address exposure to the new penalties, through a dedicated offering called Reportable Transaction Services.

Our Reportable Transaction Services include:

Training. Our customized training programs, which include targeted training presentations for executives and U.S. and non-U.S. business unit controllers, are designed to help your company avoid inadvertent non-compliance. The training is suitable for both tax and non-tax professionals.

Risk assessment. By rank-ordering your company's subsidiaries, divisions, business units, and departments from a reportable transaction perspective, we can help you focus compliance efforts on those operations with the highest risk.

Communication planning. Through effective communications we help you manage the compliance burden on individual subsidiaries, divisions, business units, and departments.

Implementation plan. We help you develop an overall plan for timely data collection, analysis, review, disclosure, documentation, and record retention.

Data collection. We help you design an orderly process to gather the necessary data from subsidiaries, divisions, business units, and departments and monitor the data collection process.

Transaction analysis and review. This aspect of our process helps you apply the extremely broad reportable transaction disclosure rules to specific company transactions.

Disclosure preparation and review. We can either review or prepare your company's disclosures on Form 8886. Drawing on the Multistate Tax specialists within Deloitte who concentrate in the appropriate state reportable transaction rules, we also can assist with any state disclosure requirements.

Documentation. We help you prepare and accumulate necessary documentation — an important consideration considering the increased emphasis on penalties by the IRS in general and the significance of the penalties for failure to disclose reportable transactions in particular.

Record retention. We help you with this often overlooked requirement of the reportable transaction regulations.

Process improvement review. We can pursue significant value at the conclusion of your reporting process by discussing your process for identifying and disclosing reportable transactions and reviewing alternatives to strengthen it.

IRS audit assistance, including responding to the "Super" IDR. We have developed a process to assist you in determining if your company has entered into any listed transactions, or substantially similar transactions, that must be disclosed on the IRS's mandatory Information Document Request (IDR).

Our Reportable Transaction Services are scalable, and we can customize them to your company's individual needs. Consider engaging us for a one-day update training and process improvement review project. This training allows you to quickly get up to date on new developments and to explore ideas for improving and simplifying your current process.

The Deloitte difference

Teaming with Deloitte can provide significant advantages as your company manages its compliance with the complex reportable transaction disclosure rules. Specifically, we deliver:

- Specialists who spend significant portions of their time on the reportable transaction disclosure rules.
- A significant knowledge base gained from having consulted, advised, and discussed reportable transaction issues with hundreds of companies in diverse industries.
- A flexible and collaborative approach in which we team with your organization.
- An integrated team of regional and national specialists, supported by our local engagement teams.
- Support of our highly experienced Washington National Tax specialists, who provide additional technical knowledge and perspectives.
- Timely updates through *IRS Insights*, a bimonthly newsletter covering the latest IRS practices and procedures.