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## Deloitte Says Cos. Should Stay Keyed In To Tax Reform Debate

By Ama Sarfo

Law360, New York (May 06, 2015, 3:19 PM ET) -- The state of U.S. tax reform is currently a giant open question as lawmakers debate a timeline and framework for overhauling the nation's tax code, but taxpayers should nonetheless stay plugged into the debate, because it'll shape the ultimate product, Deloitte LLP said Wednesday.

Republicans' control of the House and Senate seemingly gives them a strong chance to shape federal tax policy, but that power is tempered by the reality of Democratic filibusters and a need to compromise with the Obama administration. Taxpayers might be inclined to write off tax reform given current uncertainties, but in a report, Deloitte says there are several reasons why taxpayers should keep an eye on it.

The firm points out that tax reform is just a matter of time, as everyone within the political community agrees that the nation's tax system is broken. This dysfunction is affecting the country internationally, as the U.S. is now out of sync with its global trading partners, and is also having a strong domestic impact, as taxpayers and regulatory agencies alike struggle with the code, Deloitte says.

"The work that the tax writing committees have done so far and the work they do in the 114th Congress is likely to form the basis of future reform efforts," Deloitte said.

"Stakeholders who fail to come to the table risk being left out of the discussion — or, even worse, finding themselves poorly positioned when Congress decides which tax preferences to reduce or eliminate."

And there are several actions that corporations — and their tax departments — can take to prepare for tax reform, Deloitte says. Corporations should assess their risk management strategies and model alternative tax scenarios, strengthen their tax forecasting capabilities and develop investor communications plans, the firm says.

They should also reconsider how they handle deferrals and deductions, Deloitte says.

"Whatever form tax reform takes, the financial statement consideration could be significant. Companies that anticipate change and plan ahead for the financial-statement impact of tax reform will go far to ameliorate adverse cash tax and related financial reporting expenses," the report says.

Meanwhile, the Senate Finance Committee is hard at work to make tax reform a reality. And taxpayers are participating in droves.

Last month, committee Chairman Orrin Hatch, R-Utah, and ranking member Ron Wyden, R-Ore., **revealed** that taxpayers submitted a mountain of comments in response to the

Senate Finance Committee's recent call for tax reform input, submitting over 1,400 responses.

In January, the committee created five working groups to examine different aspects of tax reform — individual income tax issues, corporate taxation, the international tax system, savings and investment and community development and infrastructure. All five groups received hundreds of comments, but the individual income tax group proved to be the most popular and received 448 comments, more than triple the remarks received by the smallest group, the savings and investment group.

--Editing by Rebecca Flanagan.

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