

IRS has focused attention on several issues that are specific to the life sciences industry. Understanding IRS' position is critical to tax planning and in many cases to structuring transactions.

- The new Revenue Recognition Standard (ASC 606) and recent statutory and regulatory changes require many companies to re-evaluate their tax accounting methods and file a change in method of accounting for 2018 or 2019.
- A change in accounting methods may also have significant benefits for many taxpayers from a tax planning perspective or to minimize risk.
- The timing of income and deductions can have a significant impact on a company's international tax position, especially with respect to GILTI or BEAT.

## Overview

Accounting method planning has increased in significance for companies that want to manage risk, cash, or tax rate. Companies have reduced or eliminated IRS risk by obtaining advance rulings on proposed transactions, or changing from improper accounting methods and obtaining audit protection that prevents IRS from raising those issues in earlier years.

In addition, implementation of the new Revenue Recognition Standard (ASC 606) and changes made to the tax accounting rules under Sec. 451 by the Tax Cuts and Jobs Act (TCJA) are forcing many companies to completely re-evaluate their tax accounting methods for 2018 and 2019. Many companies will be required to file a change in method of accounting, change the method of computing book-tax differences and/or find that they have new book-tax differences as a result of the new book and tax rules.

With respect to foreign entities, the choice of accounting methods can have a significant impact on a company's international tax position, especially with respect to the Global Intangible Low-Taxed Income (GILTI) regime or the Base Erosion and Anti-Abuse Tax (BEAT). Accounting method planning can impact domestic and foreign entities, such as controlled foreign corporations and hybrid entities.

## Collaboration Agreements

In Chief Counsel Advice 201323015 (CCA), IRS concluded that a written collaboration agreement constituted a partnership for all federal income tax purposes, and further, the parties could not elect to be excluded from subchapter K.

Under the terms of the agreement A granted to B the right to co-promote the product in the United States and Canada, and to develop and market it in the other countries. The parties established a committee to manage and report the finances of the collaboration, referred to in the CCA as C. The controversy arose around the Sec. 199 deduction (since repealed by the TCJA). A initially treated amounts received from B as royalty payments, and A treated the payments as qualified production activity income (QPAI). A did not receive information from C that would allow it to calculate a Sec. 199 deduction. In order to determine the gross receipts that would be treated as QPAI, the CCA first considered the issue of whether the collaboration constituted a partnership. It analyzed the issue under *Comm'r v. Culbertson*, 337 U.S. 733 (1949) and *Luna v. Comm'r*, 42 T.C. 1067 (1964). The CCA held that the collaboration agreement constituted a partnership for federal income tax purposes, notwithstanding the fact that the parties had maintained written documentation stating that neither party intended to create a partnership. They never filed a Form 1065, *U.S. Return of Partnership Income*, or any other documents indicating that they conducted business as a partnership.

Whether a collaboration agreement is treated as a partnership for tax purposes has significant implications. The first is the penalties for failure to file the Form 1065 and Schedule K-1s. Beyond that, the payments to or from the partnership will not be treated as royalties, or shared expenses, but rather as partnership contributions and distributions. Accounting methods are elected at the partnership level, and the partnership is required to report specific information to the partners.

Not only does treatment as a partnership dramatically change the economics of the transaction, it changes reporting requirements and implicates various penalties.

**Andersen Comment:** The parties should carefully analyze the tax implications and structure their collaboration agreements to avoid partnership characterization if such characterization is undesirable. The parties may consider requesting an advance ruling from IRS as to the tax classification of a collaboration agreement.

## Upfront and Milestone Payments in Collaboration Agreements

Assuming that the collaboration agreement is respected as a contractual agreement, and is not characterized as a partnership, the next consideration is the treatment of upfront and milestone payments that are part of collaboration agreements undertaken for joint research, experimentation, or development. Generally, upfront payments are not contingent on the successful completion of any particular item (e.g., Food and Drug Administration (FDA) approval), and generally consist of non-refundable payments due upon the execution of the agreement or at a later agreed upon time.

Milestone payments also are non-refundable, but they generally are contingent and due upon the successful completion of a particular event, such as FDA approval or the start of clinical trials. Some life sciences companies follow the financial accounting treatment for upfront and milestone payments in collaboration agreements, generally taking them into account for tax purposes as deductions in the year of payment.

Other life sciences companies may be currently capitalizing and amortizing these payments over 15 years, even where they are not subject to Sec. 197 and the appropriate useful life may be shorter or the related intangible property was abandoned.

The life sciences companies that receive these payments, if considered for the advance payment of providing goods or services, may qualify for the one year deferral rule for advance payments pursuant to Rev. Proc. 2004-34. See separate section below that discusses advance payments.

**Andersen Comment:** Life sciences companies generally are required to capitalize upfront and milestone payments and amortize such costs over the useful life (e.g., the license term or the patent life) for tax purposes. Alternatively, if the acquired or licensed intangible property is a Sec. 197 intangible because the agreement entails a franchise, trademark or trade name, then the capitalized amount must be amortized over 15 years (or the remainder of the 15 years once incurred). The determination of the proper treatment of the upfront and milestone payments depends on the facts and circumstances of each collaboration agreement. Companies must determine whether the transaction is a purchase of an intangible or a license to use intangible property, and whether the agreement involves a Sec. 197 intangible. In either case, such payments likely are required to be capitalized under Sec. 263(a) and the regulations thereunder, and subsequently recovered through amortization under Sec. 167 over the useful life or, if Sec. 197 applies, over 15 years (or the remainder of the 15 years once incurred).

An accounting method change to capitalize and amortize upfront and milestone payments, or to change the amortization period is generally available under the automatic accounting method change procedure. In addition, the company should write off the remaining basis of the intangible if the license is terminated, or becomes worthless or is abandoned (e.g., if the FDA recalls the product). Failure to write off the remaining basis may be able to be corrected with a non-automatic accounting method change under certain circumstances.

## **New Financial Statement Conformity Requirement for Unbilled Revenues**

The TCJA revises Sec. 451 by requiring accrual-method taxpayers to recognize an item of income no later than the tax year in which it is recognized as revenue in the taxpayer's applicable financial statement, thus eliminating the possibility of a favorable book-tax difference for unbilled revenue. The occurrence of unbilled revenue will become much more common following the implementation of ASC 606, *Revenue from Contracts with Customers*, which is required for public businesses in 2018 and private businesses in 2019.

**Andersen Comment:** Life sciences companies should determine how the new law and new book standard will impact them from both a book and tax perspective. There are still many unanswered questions from a tax perspective because no substantive guidance has been issued with respect to the changes to Sec. 451. However, to the extent unbilled revenue is being recognized for book purposes, which would be considered variable consideration, a position may exist to exclude such income from taxable income because it does not fall within the scope of the new conformity rule. An accounting method change to conform with the changes to Sec. 451 is generally available under the automatic accounting method change procedure.

## **ASC 606 – Conform to Financial Accounting Method Changes (or Not)**

Many life sciences companies will be forced to change their book methods of accounting as a result of complying with ASC 606 and will need to evaluate these changes in order to determine the appropriate or most advantageous tax method. Common book changes in the life sciences industry may relate to the acceleration of certain estimates into the transaction price, including estimates for probable customer rebates, price concessions, sales returns or other variable consideration; and/or the accrual of unbilled revenue; the capitalization of costs to acquire a contract or customer. The proper tax treatment for many of these items is discussed elsewhere in this document. However, it is common for expenses to be capitalized and amortized under ASC 606 for book purposes, whereas for tax, such amounts continue to be currently deductible, thus resulting in a new favorable book-tax difference.

**Andersen Comment:** Many assume that financial accounting methods are proper for tax and, when the financial accounting methods change, that the tax accounting method may change as well. Neither of these assumptions is necessarily true. Taxpayers must obtain permission to follow a new book method for tax purposes. Further, the new book method may not be an appropriate tax method, or may be disadvantageous, and a book-tax difference may be the end result of a book method change. In either situation, it is important to be aware of any financial accounting method changes, including those that are not disclosed in audited financial statements, and to consider what tax filings are appropriate. If an accounting method change is required as a result of an ASC 606 adoption it will generally qualify under the automatic accounting method change procedure.

## Customer-based Rebates

Life sciences companies often enter into various arrangements that reduce the price of their products. For example, under one type of arrangement, life sciences companies must provide rebates to state Medicaid agencies for covered drugs ultimately dispensed to Medicaid beneficiaries (known as *Medicaid Rebates*). Under another type of arrangement, known as *Wholesaler Chargebacks*, life sciences companies agree to provide rebates to drug wholesalers when the wholesaler purchases drugs from the life sciences company at list price but is required to resell those drugs at a discounted price as a result of contractual arrangements between the life sciences company and certain preferred customers. The contract with the wholesaler provides that the wholesaler may charge a rebate back to the life sciences company if the wholesaler is required to sell the life sciences company's drugs to a preferred customer at a discount.

For financial accounting purposes, life sciences companies typically reduce income in the year drugs are sold for the anticipated rebates (including Medicaid Rebates and Wholesaler Chargebacks) that will be paid based on their historical experience. For tax purposes, some life sciences companies follow their financial accounting method and take into account rebates in the same year the rebates reduce income for financial accounting purposes, while other life sciences companies reverse the financial accounting accrual and take rebates into account for tax purposes when paid. It should be noted that the adoption of ASC 606 may accelerate the timing and amount of such rebates for book purposes. For example, they may begin accruing such amounts with respect to unbilled revenue whereas historically they only accrued such amounts with respect to billed revenue.

**Andersen Comment:** Life sciences companies may take rebates and allowances, such as Medicaid Rebates and Wholesaler Chargebacks, into account in the year the liability is fixed and determinable (e.g., the year the drugs are dispensed to Medicaid beneficiaries or sold to preferred customers, triggering the life sciences company's obligation to pay the rebate), as long as the rebates are paid within 8 1/2 months of year end or by the time the tax return is filed, if earlier (i.e., under the recurring-item exception). A change in method of accounting to apply the recurring-item exception to rebates and allowances including Medicaid Rebates and Wholesaler Chargebacks is generally available under the automatic accounting method change procedure.

## Sales Returns

For financial accounting purposes, many life sciences companies establish a reserve for future estimated sales returns. Many taxpayers reverse the amount of the sales return reserve for tax purposes and take into account sales returns when a refund is made or a credit memo is issued. It should be noted that the adoption of ASC 606 may accelerate the timing and amount of such sales return accruals for book purposes.

**Andersen Comment:** An opportunity may exist for life sciences companies to accelerate the deduction for sales returns for tax purposes. In particular, a life sciences company may apply the recurring item exception to the extent the liability for sales returns is fixed and determinable at year end and a refund is paid, or a credit memo is issued, within 8 1/2 months of year end or by the time the tax return is filed, if earlier. Factors supporting a fixed liability at year-end could include (i) notification of returns through correspondence with customers (e.g., a phone call or e-mail), (ii) receipt of the returned goods by year-end, or (iii) issuance of a product recall.

A change in method of accounting for the treatment of sales returns is a non-automatic accounting method change.

## Advance Payments

Life sciences companies may receive advance payments in connection with the licensing of intellectual property (e.g., upfront licensing payments) that guarantee an exclusivity period for generic drugs, or the future provision of goods. Life sciences companies may include such advance payments in income in the year of receipt.

*Andersen Comment:* An opportunity may exist for life sciences companies to defer the recognition of income from advance payments, such as those received for licensing intellectual property, granting an exclusivity period for generic drugs, or agreeing to the future provision of goods, under new Sec. 451(c) and Rev. Proc. 2004-34. Notice 2018-35 allows taxpayers to continue to rely on Rev. Proc. 2004-34 until further guidance is effective for new Sec. 451(c). This revenue procedure allows taxpayers to defer the tax recognition of qualifying advance payments until the earlier of the recognition of such income for financial accounting purposes or the end of the tax year following the receipt of the payment. The revenue procedure provides for a one-year deferral. A change in method of accounting to the deferral method under Rev. Proc. 2004-34 is generally available under the automatic accounting method change procedure.

## Clinical Trials

Life sciences companies may follow their financial accounting method and accrue the cost of clinical trials performed by third parties using a percentage of completion method. Such method potentially defers costs beyond the point required for tax purposes.

Moreover, life sciences companies may follow their financial accounting method for deducting the cost of drugs used in clinical trials when these supplies are used or consumed. Specifically, life sciences companies often capitalize drugs earmarked for clinical trials and deplete the asset as the drug is used or consumed.

*Andersen Comment:* An opportunity may exist for life sciences companies to take into account the cost of clinical trials by third parties when the services are provided. A change from accruing the cost of clinical trials performed by third parties using a percentage of completion method to taking the cost of clinical trials into account when the services are provided is a non-automatic accounting method change.

In addition, life sciences companies may be able to take into account inventory earmarked for clinical trial when produced and labeled for clinical trial, as opposed to when used or consumed. A taxpayer may claim a deduction under Sec. 174 for research or experimental expenditures paid or incurred during the taxable year in connection with its trade or business. Accordingly, inventory earmarked for clinical trial when produced and/or labeled for clinical trial may be deductible as a research and development cost when paid or incurred. A change in method of accounting from deducting drugs used in clinical trials when used or consumed to taking them into account when produced and labeled for clinical trial is a non-automatic accounting method change.

## Sales-based Royalties and Other New UNICAP Rules

In November 2018, IRS released new regulations under Sec. 263A that made significant changes that impact life sciences companies that use the simplified resale method or the simplified production method to allocate additional Sec. 263A costs to ending inventory. These new regulations will require all life sciences companies currently using these methods to file a change in



method of accounting to conform to the new regulations (generally for 2019, but early adoption is permitted). In addition, in 2014 IRS released regulations under Sec. 263A on the treatment of sales-based royalties. The proposed regulations generally allocated capitalizable sales-based royalties to property that had already been sold, thus resulting in an immediate deduction of those costs. The final regulations allow taxpayers to allocate capitalizable sales-based royalties entirely to property that has been sold, or between property sold and ending inventory under the simplified UNICAP methods.

Taxpayers are required to capitalize direct and indirect costs of property produced or acquired for resale in accordance with the UNICAP regulations under Sec. 263A. Life sciences companies may overcapitalize costs to inventory, for example by capitalizing sales-based royalties or capitalizing costs already capitalized for financial accounting purposes. Alternatively, life sciences companies may undercapitalize costs to inventory, for example by excluding minimum royalties and the amortization of upfront and milestone payments, or by using financial accounting costs instead of tax costs in the UNICAP calculation (e.g., by excluding book-tax differences).

In addition, the UNICAP rules also apply to foreign entities (e.g., controlled foreign corporations, hybrid entities, etc.) and can have a significant impact on BEAT, GILTI and other international tax computations. Determining the costs allocable to inventory is especially significant for BEAT computation purposes which may provide an opportunity for tax planning.

**Andersen Comment:** Since most life sciences companies use either the simplified resale method or the simplified production method to allocate additional Sec. 263A costs to ending inventory, they will be required to change their method of accounting starting in 2019 because of the new regulations. In addition, an opportunity may exist for life sciences companies to identify certain costs that are not required to be capitalized (e.g., by reviewing the treatment of sales-based royalties). Alternatively, life sciences companies may be able to mitigate exposure by identifying additional costs required to be capitalized under Sec. 263A, including certain licensing costs and book-tax differences related to production or resale. In addition, life sciences companies may ease the administrative complexities of complying with UNICAP by electing simplified methods, giving special consideration to the impact of final regulations regarding sales-based royalties that allow such costs to be excluded even under the simplified method. Whether a change in the treatment of costs required to be capitalized under Sec. 263A is an automatic or a non-automatic accounting method change depends on the particular facts and circumstances of the life sciences company's current and proposed methods. However, a change to comply with the new 2018 UNICAP regulations will generally qualify under the automatic change procedure. A Form 3115 can also be filed for foreign entities that are subject to UNICAP.

## Inventory Valuation

Life sciences companies may begin manufacturing commercial quantities of a product prior to receiving FDA approval of a new drug. This may result in companies having significant quantities of the new pre-launch product in inventory in anticipation of a commercial launch once regulatory approval has been obtained. In the event that regulatory approval is not obtained, or a delay runs past the product expiration date the pre-launch inventory often has no alternative use and must be discarded. Due to uncertainty of salability, pre-launch inventory often is written off for financial accounting purposes.

In addition, many life sciences companies record significant inventory reserves for excess inventory, such as where a reserve is established for inventory approaching its expiration date that must be disposed of in the future. Taxpayers may reverse this excess inventory reserve for tax purposes, thereby valuing inventory at cost and claiming a loss only when the goods are disposed of.

**Andersen Comment:** For tax purposes, a taxpayer generally may not write off pre-launch inventory in accordance with its financial accounting method. A change in method of valuing pre-launch inventory likely is an automatic accounting method change. However, pre-launch inventory earmarked for clinical trial may be taken into account as a research and development supply.

In addition, for tax purposes, life sciences companies should value *subnormal* goods (e.g., drugs that are damaged during the production process or that are close to their expiration date and must be disposed) below cost by valuing such goods at bona fide selling prices or, if applicable, at scrap value. Taxpayers that are using the LIFO method (defined below), however, may not value subnormal goods below cost, but may write down such goods for alternative minimum tax (AMT) purposes. A change in method of accounting to value subnormal goods below cost at bona fide selling prices, or, where applicable, scrap value, is generally available under the automatic accounting method change procedure.

## Inventory Cost Flow Assumptions

Many life sciences companies use the first-in, first-out (FIFO) method to account for inventory, under which it is assumed that the first item produced or purchased is the first item sold. Other life sciences companies use the last-in, first-out (LIFO) method for inventory, whereby the last item produced or purchased is considered to be the first item sold. As a result, under a LIFO method, any inflation in inventory costs is captured in cost of goods sold. Life sciences companies that use LIFO for tax purposes will often follow the LIFO method used for financial accounting purposes.

**Andersen Comment:** An opportunity may exist for life sciences companies to accelerate deductions related to inventory by utilizing a LIFO method. In recent years, inflation for life sciences products has been approximately 4 – 5% per year. A taxpayer that uses a LIFO method also must use a LIFO method in its financial statements and credit reports issued for the year of adoption and all subsequent years. However, several exceptions are provided to this *book conformity* rule, including one that allows certain foreign parents of U.S. life sciences companies to issue worldwide financials on a non-GAAP basis using a FIFO method.

Further, a life sciences company currently using a LIFO method may be able to maximize the benefits of LIFO by adopting a more favorable tax LIFO method, such as the Inventory Price Index Computation (IPIC) method. The IPIC method measures inflation based on indexes published by the Bureau of Labor Statistics (BLS). The IPIC method often results in additional tax deferral, as IPIC inflation typically is higher than internal inflation used for books, and could significantly simplify the LIFO computation.

## Litigation Costs

Life sciences companies are required to submit a new drug application (NDA) for the FDA to approve a new pharmaceutical *branded drug* prior to selling and marketing such drug in the United States. The company also must submit information to the FDA regarding any patents it owns or licenses for a branded drug and the associated expiration dates of those patents.

An abbreviated new drug application (ANDA) permits a generic life sciences company to manufacture and market a *generic drug* that is the bio-equivalent of a branded drug. An approved ANDA allows generic drugs to be sold *prior* to the expiration of the patent on the branded drug only if the *generic company* files an ANDA with a so-called Paragraph IV certification that the particular patent is either invalid or not infringed by the generic drug. When a generic company files a Paragraph IV ANDA that

an existing patent is invalid or not infringed, the generic company must provide notice to all patentees of record (including, if applicable, NDA holders), who then have 45 days to file a patent infringement lawsuit. If a lawsuit is filed, FDA final approval of the ANDA is delayed for 30 months, unless the patent is found to be invalid or not infringed upon prior to that time. After the 30-month period, the FDA may approve the ANDA, subject to confirming bioequivalence, even if the infringement litigation is not resolved or is resolved in favor of the patent holder (in the latter case, final approval will take effect when the patent expires).

Brand companies typically deduct costs to pursue *Paragraph IV litigation* without regard to whether the litigation ultimately perfects or defends title to patents. Similarly, generic companies typically deduct the costs of defending Paragraph IV litigation that results from filing an ANDA with a Paragraph IV certification as an ordinary and necessary cost of defending against patent infringement.

**Andersen Comment:** Life sciences companies may be required to capitalize certain costs for professional fees incurred related to Paragraph IV litigation. For brand companies, to the extent the Paragraph IV litigation is defending or perfecting *title* (i.e., ownership) to its patents, the Paragraph IV litigation costs must be capitalized as a cost that facilitates creating the intangible (i.e., the patents). Alternatively, to the extent the Paragraph IV litigation is merely protecting the brand company's patents and there is no question the brand company owns the related patents, or the brand company merely licenses the related patents, the costs should be deductible as ordinary and necessary costs of promoting and protecting the taxpayer's business. Whether the brand company is perfecting title or protecting its business is a question of fact.

For generic companies, the Paragraph IV litigation costs must be capitalized if they facilitate obtaining an ANDA, which is a government granted right under Sec. 263(a). In GLAM 2014-006, as in FAA 20114703F and FAA 20114900F, IRS determined that legal fees incurred to research patents in order to make the necessary certifications and to defend against a Paragraph IV litigation were required to be capitalized as created intangible costs under Sec. 263(a) and amortized over 15 years as a Sec. 197 intangible (specifically, a franchise).

A change to capitalize Paragraph IV litigation costs where perfecting the title to patents (i.e., where ownership of the patent is challenged) and a change to capitalize costs that facilitate obtaining Paragraph IV ANDA (e.g., fees to prepare and file the ANDA application) or a capitalizable licensing contract right generally are available under the automatic accounting method change procedure.

## Placed-in-Service Date

Life sciences companies may fail to claim depreciation on manufacturing equipment or other equipment used to develop new drugs until FDA approval is received to market and sell the new drug. This treatment often is the case when manufacturing equipment is used in a qualified research and development activity for which the company is claiming research credits.

In addition, the TCJA extended and expanded the bonus depreciation rules. The new rules allow taxpayers to expense the entire cost of certain depreciable assets acquired or placed in service after September 27, 2017 and before January 1, 2023 (with an additional year for aircraft and longer production period property). The requirement of original use is repealed, and the property qualifies if it is purchased from an unrelated party and it is the first use by the taxpayer.

**Andersen Comment:** Depreciation begins when property is placed in service, which is when the property is ready and available for a specifically assigned function. An opportunity exists for taxpayers to begin depreciating equipment used to

develop new pharmaceutical drugs or manufacturing techniques when the equipment is used, or ready and available for use, for such purposes. This date may be prior to the time that FDA approval is received to manufacture and sell a new drug.

The manner of claiming missed depreciation depends on whether the taxpayer has claimed any depreciation for tax purposes. If depreciation has not been claimed, a change to begin depreciating will generally be considered a change in method of accounting from an erroneous method of non-depreciation to a proper depreciation method. Such change is generally available under the automatic accounting method change procedure. Where depreciation has been claimed beginning in a different year than the year the property was ready and available for its specifically assigned function, a change to properly depreciate the property is considered to be a change in placed-in-service date. A change in placed-in-service date may be corrected by 1) amending tax returns beginning with the earliest open year (but not earlier than the year the asset is ready and available for service), and in subsequent taxable years, or 2) making prospective adjustments in the current and subsequent taxable years.

### Charitable Contribution of Inventory for the III

A life sciences company's manufacturers or retail stores may have a "do not sell after" designation for their merchandise, meaning that a manufacturer generally will not distribute the property after a certain date, nor will any retailer sell such items after the expiration date. However, the property could have a useful life for some time after this date. In many instances, destroying the property would provide a greater tax benefit to the owner than contributing it to a charity. Upon destruction, the owner of this outdated property would be entitled to deduct the entire basis of the property as a loss under Sec. 165 or as a deduction through cost of goods sold. Donation of an inventory item to a charitable organization by a C corporation qualifies for an increased deduction if the donee uses the property for the care of the ill, the needy, or infants. The increased deduction for contributions of inventory is the cost of the inventory plus one-half the gain that would be realized if the property were sold for its fair market value. The deduction is limited to twice the cost of the inventory.

**Andersen Comment:** The taxpayer's method of accounting determines the cost of inventory. The taxpayer should consider all the facts to determine the property's fair market value on the date of the contribution. See *Lucky Stores, Inc. v. Comm'r*, 105 T.C. 420 (1995) where the full retail price of bread was an appropriate fair market value and Rev. Rul. 85-8 where IRS concluded that the proper fair market value of expiring drugs donated by a pharmaceutical company were reduced from full retail price to take account of the approaching expiration date. IRS requires special documentation for certain charitable contributions, including tax return disclosure, documentation of the fair market value, and documentation of receipt of property by the charity.

### The Takeaway

Life sciences companies should review this list of common industry accounting method issues and opportunities in light of their facts. With the recent book ASC 606 changes and new Sec. 451, it is an ideal time to perform a thorough review of their tax accounting methods. Many life sciences companies will be required to file a change in method of accounting, change the method of computing book-tax differences and/or find that they have new book-tax differences as a result of the new book and tax rules. A change in method of accounting for tax purposes may be used to implement tax planning strategies or correct erroneous methods of accounting while obtaining back-year IRS audit protection. In addition, the timing of income and deductions can have a significant impact on the company's international tax position, especially with respect to GILTI and BEAT.



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