



# TAX EXECUTIVES INSTITUTE, INC.

## State and Local Tax Policy Statement Reporting Federal Income Tax Changes

Nearly all states require taxpayers to report changes resulting from federal income tax examinations to state tax authorities. Similarly, states require taxpayers to file amended state income tax returns reflecting changes reported on amended federal income tax returns. The purpose of these requirements is to assure states collect the revenues to which they are entitled. States diverge, however, regarding (1) the time to report the changes, (2) the specific events or actions triggering the reporting requirement, and (3) the form or format required to report the federal adjustments.

Tax Executives Institute, Inc. ("TEI") supports states' adoption of uniform procedures to report federal income tax changes. Multiple and diverse reporting requirements create endless confusion and complexity for multistate taxpayers. The burden of complying with these different rules to report the same information in different formats to different states is inefficient, costly, and wasteful. TEI recommends states adopt these guidelines and procedures to provide taxpayers with certainty and consistency:

- Taxpayers should be provided 180 days to report federal income tax changes to state tax authorities (and to report state changes to municipal tax authorities).
- This 180-day period should commence upon the latter of:
  - The taxpayer's execution of Federal Form 870, or its equivalent, agreeing to the final and complete disposition of all deficiencies or over-assessments. If the agreement is subject to final approval by the Internal Revenue Service (or Joint Committee on Taxation or U.S. Department of Justice, as appropriate), the agreement should be deemed final when the taxpayer receives a copy of the agreement executed by the government. If the Form 870 does not resolve all issues raised during the examination, the Form 870 should be considered a "partial 870" that does not trigger the 180-day period.
  - The expiration of the statutory time to petition the U.S. Tax Court for a redetermination of the Notice of Deficiency.
  - The execution of a signed closing agreement between the taxpayer and the Internal Revenue Service pursuant to I.R.C. § 7121, which results in a

final determination of all items in a completed federal audit. (The 180-day period should not be triggered for closing agreements resolving specific issues in an ongoing federal audit.)

- A final, nonappealable decision of the U.S. Tax Court, U.S. District Court, U.S. Court of Appeals, or U.S. Federal Claims; a decision of the Supreme Court of the United States; or those courts' approval of a stipulation disposing of the case.
  - Filing a Federal Form 1120X that changes state taxable income or state tax attributes.
- States should adopt or accept a uniform form or forms similar to the Federal Form 1120X to report federal income tax changes to the state. A model return for reporting such changes is attached.

Approved: November 17, 2015

\*\*\*\*\*ENTER DATA IN SHADED CELLS ONLY. NONSHADED CELLS ARE FORMULA DRIVEN\*\*\*\*\*

Name of Taxpayer  
 FEIN  
 Federal RAR Signed  
 Amended Return Due Date  
 Jurisdiction

	For Tax Period Ended xx/xx/xx		
	Last Reported	Fed RAR	State Amended
Federal Taxable Income of Filing Entity or Entities for State Purposes	0	0	0
<b>Additions:</b>			
Federal NOL Deduction	0	0	0
State and Local Interest	0	0	0
Depreciation	0	0	0
State and Local Taxes	0	0	0
Foreign Taxes	0	0	0
Related Party Expenses	0	0	0
Other	0	0	0
Other	0	0	0
<b>Total Additions</b>	0	0	0
<b>Subtractions:</b>			
Foreign Dividends	0	0	0
Subpart F Income	0	0	0
Foreign Dividend Gross-up	0	0	0
Foreign Source Income	0	0	0
Depreciation	0	0	0
US Treasury Interest	0	0	0
State and Local Tax Refunds	0	0	0
Other	0	0	0
Other	0	0	0
<b>Total Subtractions</b>	0	0	0
Modified Federal Taxable Income	0	0	0
Net Nonbusiness Income/(Loss) - Total	0		0
Apportionable Income	0	0	0
Apportionment Factor	0.0000%	0.0000%	0.0000%
State Apportioned Income	0	0	0
Net Nonbusiness Income/(Loss) - State	0		0
Total Income Before NOL	0	0	0
State NOL Deduction (enter as positive)	0		0
State Income Subject to Tax	0	0	0
State Tax Rate	0.00%	0.00%	0.00%
State Tax Before Credits	0	-	0
Minimum Tax (if applicable)	0		0
State Tax	0		0
State Credits (enter as positive)	0		0
Income Tax After Credits	0		0
<b>Additional Tax Due/(Refund)</b>			<b>0</b>