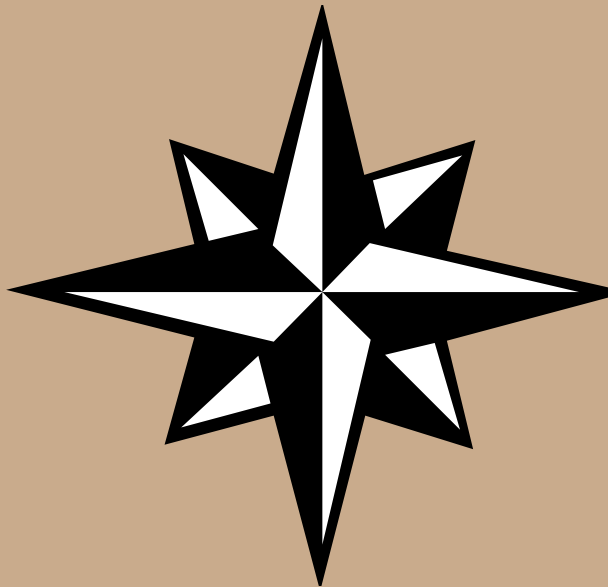


CHI-STAR TECHNOLOGYSM

Tax Books Setup & Maintenance

(Oracle EBS – Assets)

High-Level Overview



- Tax Books Setups Considerations
 - Asset Calendars
 - Defining Tax Books
 - Prorate Conventions
 - Asset Categories
 - 30% & 50% Tax Bonus Methods
 - Profile Options
- Data Conversion Considerations
 - Legacy Considerations
 - Data Conversion Considerations
 - Conversion Strategy Considerations
 - Tax Interface Table
 - Old school “overlay scripts”
- Monthly Close Process
 - Mass Copy Program
 - Reconciliation
 - Process Considerations

Setups Considerations

Asset Calendars

Asset calendars defined for the tax books should be 12 periods. Ideally the tax calendars should be the same as the financial (corp book) calendars. Oracle standard depreciation methods are based on a 12 period year, therefore creating a calendar with more or less periods would not allow the use of Oracle seeded methods, but force you to create custom depreciation methods and rates.

Recommendation:

- Use a 12 period calendar
- If possible, use the same calendar as your corp book

Defining Tax Books

Same setup screen as when defining your corporate book.

- Required to associate a tax book to the corporate book
- Determine special tax rules (in R12 a new tab appears)
- Determine the Mass Copy features
- Determine default accounts (usually same as corp book)

Defining Tax Books

Navigator: Setup > Asset System > Book Controls [Calendar]

The screenshot shows the 'Book Controls' window with the following configuration details:

- Book:** MACRS TAX
- Description:** MACRS TAX BOOK
- Class:** Tax
- Associated Corporate Book:** USD CORP
- Calendar Tab:**
 - Inactive On:** [Empty field]
 - Allow Purge
 - Purged Through:** [Empty field]
 - Ledger:** USD LEDGER2023(USD) | USD LEDGER
 - Allow GL Posting
 - Depreciation Calendar:** PCLN MONTHLY
 - Fiscal Year Name:** PCLN FISCAL
 - Prorate Calendar:** PCLN MONTHLY
 - Current Period:** DEC-2007
 - Current Fiscal Year:** 2007
 - Divide Depreciation:** Evenly
 - Depreciate if Retired in First Year
- Last Depreciation Run:**
 - Last Run Date:** 31-OCT-2008 00:00:00
 - Status:** [Empty field]
 - Request Status:** [Empty field]
 - Request Phase:** [Empty field]

Defining Tax Books

Navigator: Setup > Asset System > Book Controls [Accounting Rules]

Book Controls

Book: MACRS TAX Class: Tax

Description: MACRS TAX BOOK

Associated Corporate Book: USD CORP

Calendar Accounting Rules Natural Accounts Tax Rules

Capital Gain Threshold Years: 1 Months: 0

Allow Amortized Changes Allow Mass Changes

Create Intercompany Balancing Entries Allow Cost Sign Changes

Allow Revaluations

Revalue Accumulated Depreciation Revalue YTD Depreciation

Retire Revaluation Reserve Amortize Revaluation Reserve

Revalue Fully Reserved Assets (B) Maximum Revaluations: []

Life Extension Factor: [] Life Extension Ceiling: []

Allow Group Depreciation

Allow CIP Members in Group Assets (J)

Allow CIP Depreciation in Group Assets (K)

Allow Member Asset Tracking (Q)

Allow Intercompany Member Asset Assignments (X)

Defining Tax Books

Navigator: Setup > Asset System > Book Controls [Accounting Rules]

Book Controls

Book: MACRS TAX Class: Tax

Description: MACRS TAX BOOK

Associated Corporate Book: USD CORP

Calendar Accounting Rules **Natural Accounts** Tax Rules

Retirement Accounts

	Gain	Loss	Clearing
Proceeds of Sale	83110	83110	83110
Cost of Removal	83110	83110	83110
Net Book Value Retired	83110	83110	
Reval Reserve Retired	83110	83110	

Deferred Depreciation Reserve: 78010

Deferred Depreciation Expense: 78010

Depreciation Adjustment: 78010

Account Generator Defaults: 110.13010.000.00.000.000.0000

Defining Tax Books

Navigator: Setup > Asset System > Book Controls [Tax Rules]

The screenshot shows the 'Book Controls' window with the following configuration:

- Book:** MACRS TAX
- Class:** Tax
- Description:** MACRS TAX BOOK
- Associated Corporate Book:** USD CORP
- Navigation Tabs:** Calendar, Accounting Rules, Natural Accounts, **Tax Rules**
- Options:**
 - Allow Reserve Adjustments (Z)
 - Allow Investment Tax Credits
 - Allow CIP Assets
 - Allow Cost Ceilings
 - Allow Expense Ceilings
- Allow Mass Copy:**
 - Copy Additions
 - Copy Adjustments
 - Copy Retirements
- Salvage Value:** Do Not Copy
- Last Period:** [Empty text box]
- Group Rules:**
 - Group Asset Additions:** Do Not Copy
 - Member Asset Assignments:** Do Not Copy

Prorate Convention

Navigator: Setup > Asset System > Prorate Convention

Define Tax Prorate Conventions (in United States we use 3 main conventions)

1. Half Year (used for personal property)

From Date	To Date	Prorate Date
01-JAN-1900	31-DEC-1900	01-JUL-1900
01-JAN-1901	31-DEC-1901	01-JUL-1901
01-JAN-1902	31-DEC-1902	01-JUL-1902
01-JAN-1903	31-DEC-1903	01-JUL-1903
01-JAN-1904	31-DEC-1904	01-JUL-1904
01-JAN-1905	31-DEC-1905	01-JUL-1905
01-JAN-1906	31-DEC-1906	01-JUL-1906
01-JAN-1907	31-DEC-1907	01-JUL-1907
01-JAN-1908	31-DEC-1908	01-JUL-1908
01-JAN-1909	31-DEC-1909	01-JUL-1909
01-JAN-1910	31-DEC-1910	01-JUL-1910
01-JAN-1911	31-DEC-1911	01-JUL-1911

Prorate Convention

Define Tax Prorate Conventions (in United States we use 3 main conventions)

2. Mid Month (used for real property)

Prorate Conventions

Convention: MID MONTH

Description: MID MONTH PRORATE

Fiscal Year Name: PCLN FISCAL

Depreciate When Placed in Service []

From Date	To Date	Prorate Date
01-JAN-1900	31-JAN-1900	15-JAN-1900
01-FEB-1900	28-FEB-1900	15-FEB-1900
01-MAR-1900	31-MAR-1900	15-MAR-1900
01-APR-1900	30-APR-1900	15-APR-1900
01-MAY-1900	31-MAY-1900	15-MAY-1900
01-JUN-1900	30-JUN-1900	15-JUN-1900
01-JUL-1900	31-JUL-1900	15-JUL-1900
01-AUG-1900	31-AUG-1900	15-AUG-1900
01-SEP-1900	30-SEP-1900	15-SEP-1900
01-OCT-1900	31-OCT-1900	15-OCT-1900
01-NOV-1900	30-NOV-1900	15-NOV-1900
01-DEC-1900	31-DEC-1900	15-DEC-1900

Prorate Convention

Define Tax Prorate Conventions (in United States we use 3 main conventions)

3. Mid Quarter (used if the 30% test is failed at year end)

Prorate Conventions

Convention: MID QTR

Description: MID QUARTER PRORATE

Fiscal Year Name: PCLN FISCAL

Depreciate When Placed in Service []

From Date	To Date	Prorate Date
01-JAN-1900	31-MAR-1900	15-FEB-1900
01-APR-1900	30-JUN-1900	15-MAY-1900
01-JUL-1900	30-SEP-1900	15-AUG-1900
01-OCT-1900	31-DEC-1900	15-NOV-1900
01-JAN-1901	31-MAR-1901	15-FEB-1901
01-APR-1901	30-JUN-1901	15-MAY-1901
01-JUL-1901	30-SEP-1901	15-AUG-1901
01-OCT-1901	31-DEC-1901	15-NOV-1901
01-JAN-1902	31-MAR-1902	15-FEB-1902
01-APR-1902	30-JUN-1902	15-MAY-1902
01-JUL-1902	30-SEP-1902	15-AUG-1902
01-OCT-1902	31-DEC-1902	15-NOV-1902

Asset Categories

Link the asset categories to the tax books that will maintain those assets. Oracle allows you to exclude, if needed, asset categories from be maintained on the tax books. For each asset category assign the associated accounts (usually same as corp book) and the depreciation default rules. Oracle allows for multiple depreciation default rules based on date placed in service. This is to eliminate the need to define new categories if the depreciation rules change.

NOTE: Consult the Tax department prior to finalizing the Asset Categories – Tax may have certain requirements that will impact how the Corporate books maintain the assets (i.e. Software)

Asset Categories

Navigator: Setup > Asset System > Asset Categories

Asset Categories

Category: PPE.EQUIP-COMP
 Description: COMPUTER EQUIPMENT
 Category Type: Non-Lease
 Ownership: Owned
 Property Type: PERSONAL

Enabled
 Capitalize
 In Physical Inventory

Property Class: 1245 []

General Ledger Accounts

Book	MACRS TAX
Asset Cost	110.13010.000.00.000.000.0000
Asset Clearing	110.13010.000.00.000.000.0000
Depreciation Expense	110.78010.600.00.000.000.0000
Accumulated Depreciation	110.13510.000.00.000.000.0000
Bonus Expense	110.78010.600.00.000.000.0000
Bonus Reserve	110.13510.000.00.000.000.0000
Revaluation Reserve	
Revaluation Amortization	
CIP Cost	110.13100.000.00.000.000.0000
CIP Clearing	110.13100.000.00.000.000.0000 [...]
Alternate Asset Cost	
Write-off Expense	
Unplanned Depreciation Expense	

[]

Default Rules

Asset Categories

Navigator: Setup > Asset System > Asset Categories [Default Rules] – One Rule

Default Depreciation Rules - PPE.EQUIP-COMP, MACRS TAX

Placed in Service 01-JAN-1900 - []

Depreciate

Method **MACRS HY**
 Life Years 5
 Months 0
 Bonus Rule []

Prorate Convention **HALF YEAR**
 Retirement Convention **HALF YEAR** ...
 Default Salvage Value [] %
 Ceiling []
 Price Index []

Straight Line for Retirement

Method []
 Life Years []
 Months []

Use Depreciation Limit

Percent [] %
 Limit []

Capital Gain Threshold

Years 1
 Months 0

ITC Eligible Use ITC Ceilings Mass Property Eligible Group Asset []

Group Asset Options

Recognize Gain Loss Do Not Recognize Recapture Excess Reserve
 Terminal Gain Loss Recognize Immediately Limit Net Proceeds to Cost

Tracking Options

Tracking Method [] Allocate to Fully Retired and Reserved Assets
 Distribute Excess Reduce Excess

Asset Categories

Navigator: Setup > Asset System > Asset Categories [Default Rules] – Multiple Rules

Default Depreciation Rules - PPE.EQUIP-COMP, MACRS TAX

Placed in Service 01-JAN-1900 - 10-SEP-2001 []

Depreciate

Method **MACRS HY**

Life Years 5

Months 0

Bonus Rule

Prorate Convention **HALF YEAR**

Retirement Convention **HALF YEAR**

Default Salvage Value %

Ceiling

Price Index

Default Subcomponent Life

Rule

Minimum Years

Months

Straight Line for Retirement

Method

Life Years

Months

Use Depreciation Limit

Percent %

Limit

Capital Gain Threshold

Years 1

Months 0

ITC Eligible Use ITC Ceilings Mass Property Eligible

Group Asset

Group Asset Options

Recognize Gain Loss Do Not Recognize Recapture Excess Reserve

Terminal Gain Loss Recognize Immediately Limit Net Proceeds to Cost

Tracking Options

Tracking Method Allocate to Fully Retired and Reserved Assets

Distribute Excess Reduce Excess

Asset Categories

Navigator: Setup > Asset System > Asset Categories [Default Rules] – Multiple Rules

Default Depreciation Rules - PPE.EQUIP-COMP, MACRS TAX

Placed in Service 11-SEP-2001 - 10-SEP-2004 []

Depreciate

Method: MACRS 30B HY ...

Life Years: 5

Months: 0

Bonus Rule: []

Prorate Convention: HALF YEAR

Retirement Convention: HALF YEAR

Default Salvage Value: [] %

Ceiling: []

Price Index: []

Straight Line for Retirement

Method: []

Life Years: []

Months: []

Use Depreciation Limit

Percent [] %

Limit []

Capital Gain Threshold

Years: 1

Months: 0

ITC Eligible Use ITC Ceilings Mass Property Eligible Group Asset: []

Group Asset Options

Recognize Gain Loss: Do Not Recognize Recapture Excess Reserve

Terminal Gain Loss: Recognize Immediately Limit Net Proceeds to Cost

Tracking Options

Tracking Method: [] Allocate to Fully Retired and Reserved Assets

Distribute Excess Reduce Excess

Asset Categories

Navigator: Setup > Asset System > Asset Categories [Default Rules] – Multiple Rules

Default Depreciation Rules - PPE.EQUIP-COMP, MACRS TAX

Placed in Service 11-SEP-2004 - 31-DEC-2005 []

Depreciate

Method: MACRS 50B HY ...

Life Years: 5

Months: 0

Bonus Rule: []

Prorate Convention: HALF YEAR

Retirement Convention: HALF YEAR

Default Salvage Value: [] %

Ceiling: []

Price Index: []

Default Subcomponent Life

Rule: []

Minimum Years: []

Months: []

Straight Line for Retirement

Method: []

Life Years: []

Months: []

Use Depreciation Limit

Percent [] %

Limit []

Capital Gain Threshold

Years: 1

Months: 0

ITC Eligible Use ITC Ceilings Mass Property Eligible Group Asset: []

Group Asset Options

Recognize Gain Loss: Do Not Recognize Recapture Excess Reserve

Terminal Gain Loss: Recognize Immediately Limit Net Proceeds to Cost

Tracking Options

Tracking Method: [] Allocate to Fully Retired and Reserved Assets

Distribute Excess Reduce Excess

Asset Categories

Navigator: Setup > Asset System > Asset Categories [Default Rules] – Multiple Rules

Default Depreciation Rules - PPE.EQUIP-COMP, MACRS TAX

Placed in Service 01-JAN-2006 - 31-DEC-2007 []

Depreciate

Method **MACRS HY**

Life Years 5

Months 0

Bonus Rule

Prorate Convention **HALF YEAR**

Retirement Convention **HALF YEAR**

Default Salvage Value %

Ceiling

Price Index

Default Subcomponent Life

Rule

Minimum Years

Months

Straight Line for Retirement

Method

Life Years

Months

Use Depreciation Limit

Percent %

Limit

Capital Gain Threshold

Years 1

Months 0

ITC Eligible Use ITC Ceilings Mass Property Eligible

Group Asset

Group Asset Options

Recognize Gain Loss Do Not Recognize Recapture Excess Reserve

Terminal Gain Loss Recognize Immediately Limit Net Proceeds to Cost

Tracking Options

Tracking Method Allocate to Fully Retired and Reserved Assets

Distribute Excess Reduce Excess

Asset Categories

Navigator: Setup > Asset System > Asset Categories [Default Rules] – Multiple Rules

Default Depreciation Rules - PPE.EQUIP-COMP, MACRS TAX

Placed in Service 01-JAN-2008 - 31-DEC-2008 []

Depreciate

Method: MACRS 50B HY ...

Life Years: 5

Months: 0

Bonus Rule: []

Prorate Convention: HALF YEAR

Retirement Convention: HALF YEAR

Default Salvage Value: [] %

Ceiling: []

Price Index: []

Straight Line for Retirement

Method: []

Life Years: []

Months: []

Use Depreciation Limit

Percent [] %

Limit []

Capital Gain Threshold

Years: 1

Months: 0

ITC Eligible Use ITC Ceilings Mass Property Eligible Group Asset: []

Group Asset Options

Recognize Gain Loss: Do Not Recognize Recapture Excess Reserve

Terminal Gain Loss: Recognize Immediately Limit Net Proceeds to Cost

Tracking Options

Tracking Method: [] Allocate to Fully Retired and Reserved Assets

Distribute Excess Reduce Excess

Asset Categories

Navigator: Setup > Asset System > Asset Categories [Default Rules] – Multiple Rules

Default Depreciation Rules - PPE.EQUIP-COMP, MACRS TAX

Placed in Service 01-JAN-2009 - [] []

Depreciate

Method: MACRS HY
 Life Years: 5
 Months: 0
 Bonus Rule: []

Prorate Convention: HALF YEAR
 Retirement Convention: HALF YEAR
 Default Salvage Value: [] %
 Ceiling: []
 Price Index: []

Straight Line for Retirement

Method: []
 Life Years: []
 Months: []

Use Depreciation Limit

Percent [] %
 Limit []

Capital Gain Threshold

Years: 1
 Months: 0

ITC Eligible Use ITC Ceilings Mass Property Eligible Group Asset: []

Group Asset Options

Recognize Gain Loss: Do Not Recognize Recapture Excess Reserve
 Terminal Gain Loss: Recognize Immediately Limit Net Proceeds to Cost

Tracking Options

Tracking Method: [] Allocate to Fully Retired and Reserved Assets
 Distribute Excess Reduce Excess

Tax Bonus Methods

Patches are required to install the 30% and 50% Bonus Rules:

Job Creation & Workers Assistance Act 2002

30% Bonus Rule: Effective From September 11, 2001 to September 10, 2004

Jobs And Growth Tax Relief Reconciliation Act of 2003

50% Bonus Rule: Effective From September 11, 2004 to December 31, 2005

American Jobs Creation Act of 2004

Effective October 22, 2004 to December 31, 2005

Economic Stimulus Act of 2008

Effective From January 1, 2008 to December 31, 2008

Patches Required (Note: 383033.1):

2357093 – supplies MACRS, AMT, & STL 30% Bonus Rates

2284381 – supplies form 4562 report

2978998 – supplies MACRS, & STL 50% Bonus Rules (NOTE AMT is not included – if needed you will need to manually define – Oracle does not provide)

2422184 – supplies MACRS STL30B for 27.5 & 39 years

4047757 – supplies STL 50% bonus for 15 year life

2722776 – supplies AMT200 30% Bonus Rates

Profile Options

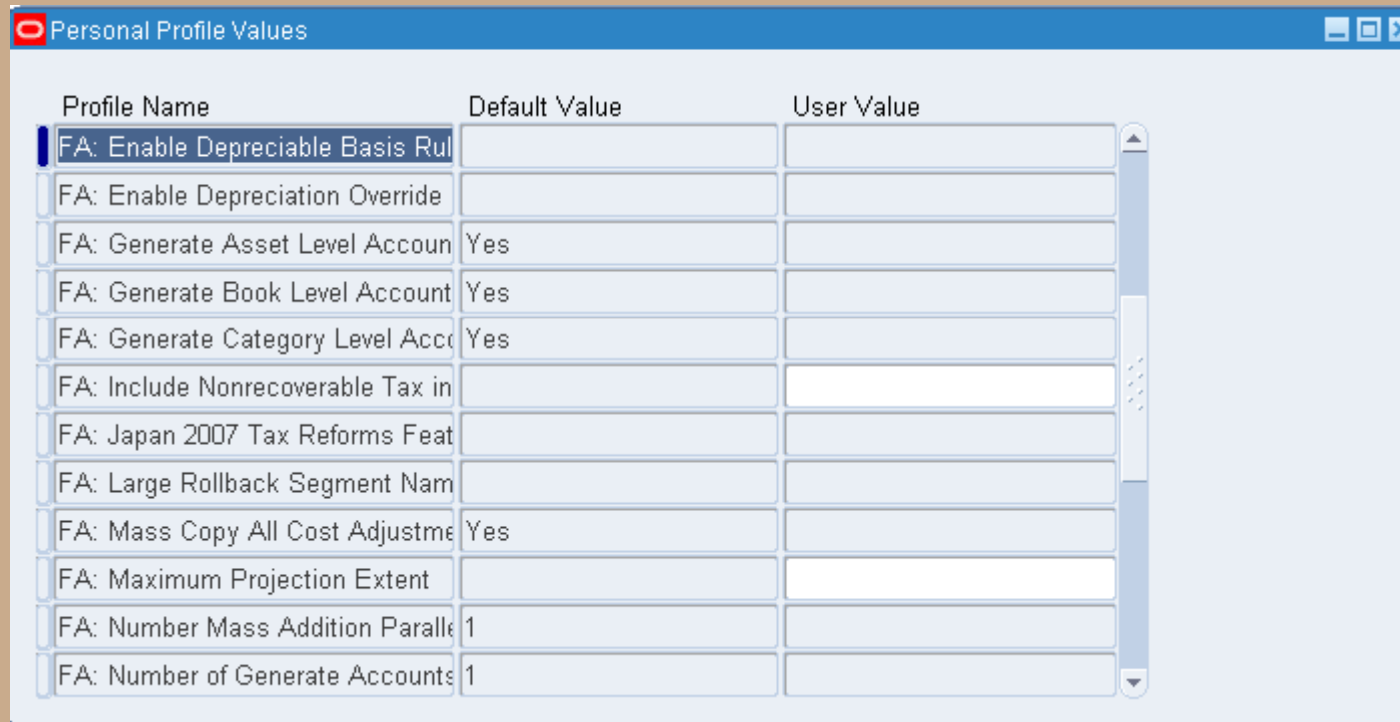
Set Profile Option FA:Mass Copy All Cost Adjustments to 'Yes'.

If set to NO – this option will not allow cost adjustments to be copied from the corporate book to the tax book if the cost basis is different between the books.

If set to YES – this option will allow the cost adjustment to be copied from the corporate book to the tax book. (For example if an asset has a corporate cost of \$50 and a tax cost of \$120 – if the corporate cost is adjusted to \$60, Oracle will adjust the tax cost by the \$10 increment to \$130)

Profile Options

Navigator: Other > Profile



The screenshot shows a window titled "Personal Profile Values" with a table of profile options. The table has three columns: "Profile Name", "Default Value", and "User Value". The first row is selected, and the "User Value" column for the last two rows is highlighted in yellow.

Profile Name	Default Value	User Value
FA: Enable Depreciable Basis Rule		
FA: Enable Depreciation Override		
FA: Generate Asset Level Accounts	Yes	
FA: Generate Book Level Accounts	Yes	
FA: Generate Category Level Accounts	Yes	
FA: Include Nonrecoverable Tax in		
FA: Japan 2007 Tax Reforms Feature		
FA: Large Rollback Segment Name		
FA: Mass Copy All Cost Adjustments	Yes	
FA: Maximum Projection Extent		
FA: Number Mass Addition Parallel	1	
FA: Number of Generate Accounts	1	

Data Conversion Considerations

Legacy Considerations

- **Do you have tax details currently in a legacy system or maintained offline by an accounting company?**
- **What level is the legacy detail maintained?**
 - **Asset level**
 - **Grouped by asset type, life, other**
- **Do you have Mid-Quarter conventions?**
- **Conversion Period? (Year-end, Mid-Year)**
 - **Conversion timing**
- **Tax Asset Detail Considerations**
 - **Asset Cost**
 - **YTD Depreciation**
 - **Accumulated Depreciation**
 - **Date Placed in Service**

Data Conversion Considerations

- Consider using the financial details for the tax basis
- Overlay with tax ytd and accumulated depreciation
 - Tax Interface Table
 - Overlay scripts (PL*SQL Scripts)
- Re-calculate ytd and accumulated depreciation
- Determine if there are any basis differences between financial & tax

Conversion Strategy Considerations

- **Go Live for Tax Books – Usually different than financial books**
- **Asset Category setups will determine additional asset details to be converted**
- **Mid-Quarter convention – if needed, will require additional asset details to be converted**
- **Data source to use for conversion**
 - **Financial**
 - **Tax Legacy**

Monthly Close Process

Mass Copy Program

Initial Mass Copy versus Periodic Mass Copy:

Initial Mass Copy – Used ONLY when implementing Tax Books with the first period is the year-end period. If used for initial implementation, never use again!!!!

Periodic Mass Copy – Used monthly to copy Additions, Adjustments, and Retirements from the financial books to the tax books

NOTE: Always review Mass Copy output/log for “Good” and “Bad” errors

Reconciliation

Monthly depreciation runs – benefits

Reconcile monthly to the financial books' activity

Ensure quick resolution of issues – pinpoint month issue occurred

Process Considerations

Timing on Closing Tax Books:

- Process begins after corporate book is closed
- If Year-End, keep tax book open to calculate the 30% test
- Mass Change feature

Questions?
