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]
Defining Tax Books

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

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

Navigator: Setup > Asset System > Book Controls [Tax Rules]
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)
Define Tax Prorate Conventions (in United States we use 3 main conventions)

2. **Mid Month** (used for real property)

<table>
<thead>
<tr>
<th>Convention</th>
<th>Description</th>
<th>Fiscal Year Name</th>
<th>Depreciate When Placed in Service</th>
<th>Prorate Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>MID MONTH</td>
<td>MID MONTH PRORATE</td>
<td>PCLN FISCAL</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>From Date</th>
<th>To Date</th>
<th>Prorate Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>01-MAR-1990</td>
<td>31-MAR-1990</td>
<td>15-MAR-1990</td>
</tr>
<tr>
<td>01-APR-1990</td>
<td>30-APR-1990</td>
<td>15-APR-1990</td>
</tr>
<tr>
<td>01-MAY-1990</td>
<td>31-MAY-1990</td>
<td>15-MAY-1990</td>
</tr>
<tr>
<td>01-AUG-1990</td>
<td>31-AUG-1990</td>
<td>15-AUG-1990</td>
</tr>
<tr>
<td>01-OCT-1990</td>
<td>31-OCT-1990</td>
<td>15-OCT-1990</td>
</tr>
</tbody>
</table>
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)
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

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

[Diagram of asset category settings with fields for depreciation method, life years, months, and various other options]

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Asset Categories

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

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

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

![Depreciation Rules Form]

- Default Depreciation Rules - PPE - EQUIP - COMP, MACRS Tax
- Placed in Service: 01-JAN-2003 - 31-DEC-2003
- Depreciate
- Method: MACRS SDB 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
- Minimum Years:
- Months:
- Use Depreciation Limit
- Percent: %
- Limit:
- Capital Gain Threshold
- Years: 1
- Months: 0
- ITC Eligible
- Use ITC Ceiling
- Mass Property Eligible
- Group Asset
- Recognize Gain Loss
- Do Not Recognize
- Terminal Gain Loss
- Recognize Immediately
- Tracking Options
- Tracking Method
- Recapture Excess Reserve
- Limit Net Proceeds to Cost
- Distribute Excess
- Reduce Excess

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## Asset Categories

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

![Image of Default Depreciation Rules - PPE, EQUIP, COMP, MACRS, TAX](image)

- **Depreciate:**
  - Method: MACRS HY
  - Life Years: 5
  - Months: 0
  - Bonus Rule: 

- **Default Subcomponent Life:**
  - Rule: 
  - Minimum Years: 
  - Months: 

- **Use Depreciation Limit:**
  - Percent: 
  - Limit: 

- **Capital Gain Threshold:**
  - Years: 1
  - Months: 0

- **Group Asset Options:**
  - Recognize Gain Loss: Do Not Recognize
  - Terminal Gain Loss: Recognize Immediately
  - Tracking Options:
    - Tracking Method: 
      - Recapture Excess Reserve
      - Limit Net Proceeds to Cost
      - Allocate to Fully Retired and Reserved Assets
      - Distribute Excess
      - Reduce Excess

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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**

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