



Xavier University Policies & Procedures Manual

Section 5: Financial Administration

Policy:

5.4 UNCERTAIN TAX POSITIONS POLICY

Scope:

Faculty, Staff and Students

Responsible Department:

Office of Controller

Approved By:

Audit Committee,
Chief Financial Officer

Last Reviewed Date: 10/12/2011

Last Updated Date: 10/12/2011

A. PHILOSOPHY

The Financial Accounting Standards Board (FASB) issued ASC 740-10 (formerly and commonly known as FIN 48) which clarifies the accounting for uncertainty in income taxes recognized in an organization's financial statements in accordance with FASB Statement No. 109. ASC 740-10 addresses how companies must treat (i.e. recognize, measure and disclose) uncertain tax positions for financial reporting purposes. Given the potential financial reporting implications of this requirement, we must be aware of the ASC 740-10 rules requiring the company to inventory its uncertain tax positions, as well as the potential financial statement impact and disclosure implications of ASC 740-10. Should professional standards change the guidance promulgated under ASC 740-10, this policy must be reviewed and updated.

B. POLICY

Xavier University must evaluate each of its income-producing activities to determine whether a tax examination would determine that it is more likely than not sustainable that the transactions associated with the activity are tax-exempt. The Controller's office should undergo this exercise annually, with analysis of new activities throughout the year. The external auditors will be reviewing the analysis performed internally during their annual audit of the financial statements.

Examples of new revenue streams are, but not limited to:

- **Sale of goods**
- **Rental of space or equipment**
- **Management, consulting or other professional services provided to non-Xavier organizations**
- **Advertising**

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University personnel that determine there is a new revenue stream should contact the Controller's office so an analysis regarding uncertain tax positions can be performed.

C. PROCEDURES

ASC 740-10 requires a two-step approach to recognizing tax benefits. The first step of the approach looks at whether a tax benefit should be recognized, and the second step looks at how to measure a tax benefit that is recognized. Whether a tax benefit should be recognized depends on whether the benefit is, or will be derived from a tax position that meets the more-likely-than-not criterion. A tax benefit should only be recognized if the tax position meets the criterion.

Appendix A – Workflow Plan should be utilized at least on an annual basis to determine the university's uncertain tax positions. The workflow plan will assist in:

- A. Identifying Uncertain Tax Positions
- B. Determine the Unit of Account
- C. Determine Whether the Recognition Threshold is Met
- D. Measure the Tax Benefit
- E. Evaluate Tax-Planning Strategies
- F. Monitor Changes in Subsequent Periods
- G. Determine Interest and Penalties
- H. Classify Tax Liabilities
- I. Prepare the Required Disclosures

The steps taken should be documented within Appendix B – Checklist Compliance. Both of these documents should be completed annually and maintained with other financial statement audit support.

CONTACTING XAVIER

Please contact the Office of the Controller with any questions.

AUTHORITATIVE SOURCE

The authoritative source for this policy, and responsibility for its implementation, rests with the Controller.

APPROVAL AND REVIEW HISTORY

Reviewed and approved by the Controller and the Chief Financial Officer

REVIEW CYCLE

This policy will be periodically reviewed and updated as appropriate.