

To: Pat Gosselin, Chair of the Blanks (E) Working Group
From: Dale Bruggeman, Chair of the Statutory Accounting Principles (E) Working Group
Re: INT 22-02 Disclosures
Date: Jan. 4, 2023

The purpose of this memo is for the Statutory Accounting Principles (E) Working Group to notify the Blanks (E) Working Group of revisions to the “Notes to the Financial Statements” that have been adopted for 3rd Quarter 2022 reporting through first quarter 2023 reporting. The Working Group updated and extended *INT 22-02: Third Quarter 2022 through First Quarter 2023 Reporting of the Inflation Reduction Act - Corporate Alternative Minimum Tax*, therefore, this memo is a replacement of the prior memo dated October 25, 2022. As INT 22-02 has already been adopted as an interpretation, which represents the second level of authoritative guidance as promulgated by the Preamble, these additions to the financial statement notes reporting do not require approval from the Blanks (E) Working Group.

As detailed in the attached INT 22-02, reporting entities are not required to estimate the impacts of the 2023 CAMT tax in the third quarter 2022 through first quarter 2023. It is recommended that this memo, detailing changes to existing disclosure requirements and subsequent event exceptions, and the full related INT 22-02 (as updated on Dec. 13, 2022) be posted to the NAIC website. This is consistent with the *NAIC Policy Statement on Coordination of the Accounting Practices and Procedures Manual and the Annual Statement Blank* located within the *Accounting Practices & Procedures Manual*. As these are temporary disclosures there is no need for them to be included in the next update to the Annual Statement Instructions. Excerpts from INT 22-02 are included on the following pages; however the full interpretation provides relevant explanation and detail. The Working Group expects to continue working on additional guidance for interim 2023 and after.

Please contact NAIC staff Robin Marcotte (rmarcotte@naic.org), Julie Gann (jgann@naic.org), Jake Stultz (jstultz@naic.org), Jason Farr (jfarr@naic.org), or Wil Oden (woden@naic.org) if you have any questions.

Cc: Mary Caswell, Jill Youtsey, Julie Gann, Robin Marcotte, Jake Stultz, Jason Farr; Wil Oden

Response: Issue 1 – Consideration of the Act for Third Quarter 2022 Financial Statements

12. Reporting entities that are aware they will be subject to the CAMT would normally reflect the effects of the Act on the calculations impacted by the CAMT if reasonably estimable for third quarter 2022. Because of the timing of the adoption of the Act and the considerable number of unknown variables for September 30, 2022, reporting, the Working Group has determined that a reasonable estimate is not determinable for third quarter 2022 interim financial statements for the calculations impacted by the CAMT.

13. Because reasonable estimates of calculations impacted by the CAMT are not determinable, reporting entities shall not recognize impacts related to CAMT for third quarter 2022 financial statements, but shall make the following disclosures regarding the CAMT and the Act:

- a. The Act was enacted during the reporting period on August 16, 2022.
- b. A statement regarding whether the reporting entity (or the controlled group of corporations of which the reporting entity is a member) has determined if it expects to be liable for CAMT in 2023. For example:
 - i. The reporting entity (or the controlled group of corporations of which the reporting entity is a member) has determined that it does not expect to be liable for CAMT in 2023.
 - ii. The reporting entity (or the controlled group of corporations of which the reporting entity is a member) has not determined as of the reporting date if it will be liable for CAMT in 2023. The third quarter 2022 financial statements do not include an estimated impact of the CAMT because a reasonable estimate cannot be made.
 - iii. The reporting entity (or the controlled group of corporations of which the reporting entity is a member) has determined that it expects to be liable for CAMT in 2023. The third quarter 2022 financial statements do not include an estimated impact of the CAMT, because a reasonable estimate cannot be made.

Response: Issue 2 – Consideration of Subsequent Events for Third Quarter 2022 Financial Statements

14. For third quarter 2022 reporting, CAMT updated estimates or other calculations affected by the Act determined subsequent to third quarter statutory financial statement or filing date shall not be recognized as Type I subsequent events. Meaning, amended financial statements are not required to reflect updated estimates subsequent to the third quarter filing date and prior to the filing the third quarter financial statements. With the disclosure required under Issue 1, additional subsequent event disclosure (such as what would be required for Type II event) is not required.

15. Reporting entities shall be working in good faith to complete the accounting for the changes adopted under the Act.

Year-end 2022 through first quarter 2023 additional guidance - Key excerpts from INT 22-02: Third Quarter 2022 through First Quarter 2023 Reporting of the Inflation Reduction Act - Corporate Alternative Minimum Tax

17. On December 13, 2022, the Working Group adopted a consensus to extend this interpretation for December 31, 2022, and first quarter 2023 statutory financial statements. For application as of year-end 2022 and first quarter 2023:

- a. Consistent with paragraphs 12 and 13, the Working Group has concluded that a reasonable estimate is not determinable for December 31, 2022, and March 31, 2023, therefore impacts related to the CAMT in the year-end 2022 and March 31, 2023, financial statements are not required.
- b. The reporting entity shall include disclosures in paragraph 13 in the year-end 2022 and March 31, 2023, financial statements. In addition, the reporting entity shall disclose the following:
 - i. If, based on information regarding the projected adjusted financial statement income for 2023, the entity or the controlled group of corporations of which the reporting entity is a member has determined if it is an “applicable corporation” to determine if CAMT exceeds the regular federal income tax payable. That is, disclose if the reporting entity (or the controlled group of corporations of which the reporting entity is a member) has determined if average “adjusted financial statement income” is above the thresholds for 2023 tax year that they expect to be required to perform the CAMT calculations. This disclosure is about being applicable corporation, not if the entity is required to pay.
- c. Consistent with paragraph 14, CAMT updated estimates or other calculations affected by the Act determined subsequent to filing the December 31, 2022, and March 31, 2023, financial statements shall not be recognized as Type I subsequent events.
- d. For year-end 2022 financial statements, the subsequent event exception is expanded to encompass events that occur prior to the issuance of statutory financial statements as well as events that occur before the date the audited financial statements are issued, or available to be issued. This provision intends to prevent reporting entities from having to amend statutory financial statements from material Type I subsequent events as a result of updated information / estimates received after the reporting date of year-end 2022 statutory financial statements pertaining to the accounting for the enactment of the Act.

18. With the extension, this interpretation will be automatically nullified on June 15, 2023.

[https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat Acctg_Statutory_Referrals/2022/SAPWG to Blanks Jan 2023.docx](https://naiconline.sharepoint.com/teams/FRSStatutoryAccounting/Stat%20Acctg_Statutory_Referrals/2022/SAPWG%20to%20Blanks%20Jan%202023.docx)