

Calcbench Guide - Analyzing Income Tax Disclosures



www.calcbench.com

us@calcbench.com

Getting started

- Using Calcbench's online platform
- Using Calcbench's Excel Add-in

Analyzing tax disclosure text

- Quickly read & compare tax disclosures for a group of companies

Analyzing tax disclosure data

1. Income Tax Provision
2. Tax Rate Reconciliation
3. Deferred Tax Assets & Liabilities
4. Unrecognized Tax Benefits
5. Interest & Penalties
6. Unremitted Foreign Earnings



What We Do

Calcbench harnesses the power of XBRL to provide cutting edge tools for academic research and teaching.

We make working with complicated, detailed financial data faster and easier than ever before.

- **Robust:** 9,000+ company universe with **300 million+** data points
- **Relevant:** Multiple products for accessing data and footnote text to meet your workflow
- **Timely:** Real-time updates of the data as companies file
- **Accurate:** Continuous data quality monitoring and updates
- **Intuitive:** XBRL tag mapping to streamline complexity

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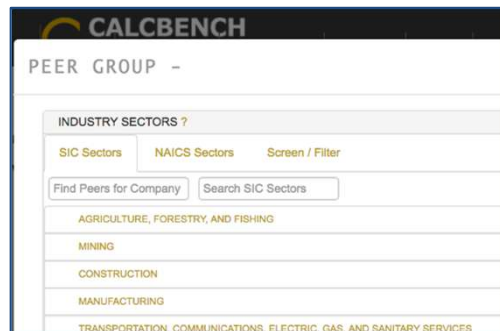
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Analyze Tax Data - Our Online Platform

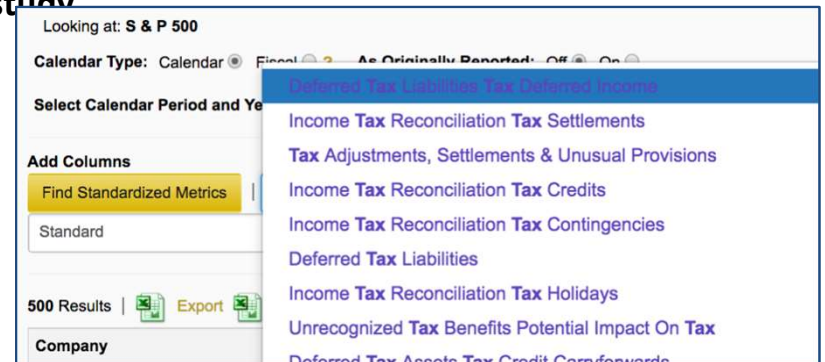


1. Go to www.calcbench.com/multi.

2. Select a group of companies to research.



3. Type 'tax' in the 'Standardized Metrics' field; select precise tax disclosure you want to study.



4. Work online or export to Excel!

Company	Revenue Y-2017 Total : \$11,091,979,638,000 Average : \$22,228,416,108	DeferredTaxLiabilities Y-2017 Total : \$1,079,511,333,000 Average : \$2,321,529,748	IncomeTaxes Y-2017 Total : \$319,179,732,000 Average : \$650,060,554
Berkshire Hathaway Inc (BRK)	\$242,137,000,000	\$64,568,000,000	(\$21,515,000,000)
Exxon Mobil Corp (XOM)	\$244,363,000,000	\$42,184,000,000	(\$1,174,000,000)
Verizon Communications Inc (VZ)	\$126,034,000,000	\$40,196,000,000	(\$9,956,000,000)



Analyze Tax Data - In Excel

1. Download our Excel add-in at www.calcbench.com/excel
2. Download income tax template at <https://www.calcbench.com/home/guides>

Build Formula

Search Metrics

Normalized Data:

or XBRL Tag:

Company/Peer Group

Company or Ticker:

or Peer Group:

Time Period

Period Type: Calendarized Point In Time

Fiscal Periods

Y 2016
Q1 2015
Q2 2014
Q3 2013
Q4 2012

- Operating Leases:
- Prepaid Expenses:
- Private Equity:
- Product Warranty:
- Property, Plant & Equipment:
- Real Estate Investment Trusts:
- Related Party Disclosures:
- Restructuring & Discontinued Operations:
- Retail & Related:
- Segment:
- Tax:
- EBIT, Domestic
- EBIT, Foreign
- Income From Equity Method Investments
- Income Tax Expense (Benefit) (hide)
- Income Tax Expense, Current
- Income Tax Expense, Current - Federal
- Income Tax Expense, Current - Foreign
- Income Tax Expense, Current - State & Local
- Income Tax Expense, Deferred
- Income Tax Expense, Deferred - Federal
- Income Tax Expense, Deferred - Foreign
- Income Tax Expense, Deferred - State & Local

	A	B	C	D	E
1			GOOG	GOOG	YHOO
2			Y	Y	Y
3			2013	2012	2012
4			<i>Calcbench metric</i>		
5					
6	EBIT Domestic	EBITDome	\$5,828,000,000	\$5,311,000,000	\$5,056,643,000
7	EBIT Foreign	EBITForei	\$8,668,000,000	\$8,075,000,000	\$157,564,000
8	Income From Equity Method Investments		\$0	\$0	\$0
9	Taxable Earnings		\$14,496,000,000	\$13,386,000,000	\$5,214,207,000
10					
11	Total Tax Provision	IncomeTax	\$2,282,000,000	\$2,598,000,000	\$1,940,043,000
12	<i>Effective Tax Rate, Calculated</i>		0.157422737	0.194083371	0.372068658
13	<i>Effective Tax Rate, if Reported</i>				
14					
15					
16	Details of Tax Provision				
17	<i>Current</i>				
18	Federal	CurrentFe	\$1,853,000,000	\$2,342,000,000	\$2,278,759,000
19	Foreign	CurrentFo	\$771,000,000	\$358,000,000	\$68,816,000
20	Local	CurrentSt:	\$111,000,000	\$171,000,000	\$361,788,000
21	Current Total	CurrentIn:	\$2,735,000,000	\$2,871,000,000	\$2,709,363,000
22					
23	<i>Deferred</i>				
24	Federal	DeferredF	(\$439,000,000)	(\$328,000,000)	(\$741,628,000)
25	Foreign	DeferredF	(\$28,000,000)	\$74,000,000	\$1,778,000
26	Local	DeferredL	\$14,000,000	(\$19,000,000)	(\$29,470,000)
27	Deferred Total	DeferredL	(\$437,000,000)	(\$266,000,000)	(\$769,320,000)

Quickly Read & Compare Tax Disclosures



1. Go to: <https://www.calcbench.com/query/footnotes>
2. Select a group of companies to research.
3. Choose 'Income Taxes' from drop down list of disclosure types

Period Ending: 12/31/2017 | From: 10-K Filed On: 2/8/2018 | 3M Co (MMM) | Income Taxes

NOTE 9. Income Taxes

Income Before Income Taxes

(Millions)	2017	2016	2015
United States	\$ 4,149	\$ 4,366	\$ 4,392
International	3,399	2,687	2,424
Total	\$ 7,548	\$ 7,053	\$ 6,813

Provision for Income Taxes

(Millions)	2017	2016	2015
Currently payable			
Federal	\$ 1,022	\$ 1,192	\$ 1,338
State	89	75	101
International	722	733	566
Tax Cuts and Jobs Act (TCJA) non-current transition tax provision	623	—	—
Deferred			
Federal	162	(3)	(55)
State	15	9	5
International	76	(11)	26
Total	\$ 2,679	\$ 1,995	\$ 1,982

4. Go to work!

Analyzing Common Parts of a Tax Disclosure

- 1. Income Tax Provision**
- 2. Tax Rate Reconciliation**
- 3. Deferred Tax Assets & Liabilities**
- 4. Unrecognized Tax Benefits**
- 5. Interest & Penalties**
- 6. Unremitted Foreign Earnings**



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The company's **tax provision**, split out by federal, state/local, and foreign tax amounts. Also split out by *current* (the tax amount currently due) and *deferred* (the portion that will be put off until future periods).



	Year Ended December 31,		
	2015	2016	2017
Current:			
Federal and state	\$ 2,838	\$ 3,826	\$ 12,608
Foreign	723	966	1,746
Total	3,561	4,792	14,354
Deferred:			
Federal and state	(241)	(70)	220
Foreign	(17)	(50)	(43)
Total	(258)	(120)	177
Provision for income taxes	\$ 3,303	\$ 4,672	\$ 14,531

Calcbench Metric:

- CurrentFederalStateAndLocalTaxExpenseBenefit
- CurrentForeignTaxExpenseBenefit
- CurrentIncomeTaxExpenseBenefit

- DeferredFederalStateAndLocalTaxExpenseBenefit
- DeferredForeignTaxExpenseBenefit
- DeferredIncomeTaxExpenseBenefit
- IncomeTaxExpenseBenefit

A **reconciliation** of the difference between the company's **effective tax rate**, and the **statutory tax rate**. This may be done in dollars, percentage, or both.



	Year Ended December 31,		
	2015	2016	2017
U.S. federal statutory tax rate	35.0 %	35.0 %	35.0 %
Foreign income taxed at different rates	(13.4)%	(11.0)%	(14.2)%
Impact of the Tax Act			
One-time transition tax	0.0 %	0.0 %	37.6 %
Deferred tax effects	0.0 %	0.0 %	(1.4)%
Federal research credit	(2.1)%	(2.0)%	(1.8)%
Stock-based compensation expense	0.3 %	(3.4)%	(4.5)%
European Commission Fine	0.0 %	0.0 %	3.5 %
Other adjustments	(3.0)%	0.7 %	(0.8)%
Effective tax rate	16.8 %	19.3 %	53.1 %

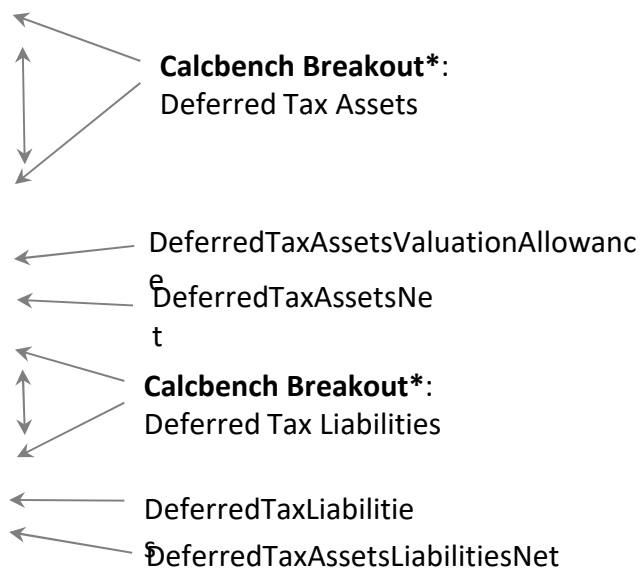
EffectiveIncomeTaxRateReconciliationAt FederalStatutoryIncomeTaxRate
 EffectiveIncomeTaxRateReconciliationFor eignIncomeTaxRateDifferential
 EffectiveIncomeTaxRateReconciliationTax CutsAndJobsActof2017TransitionTaxOn AccumulatedForeignEarningsPercent
 EffectiveIncomeTaxRateReconciliationTax CutsAndJobsActof2017TransitionTaxOn AccumulatedForeignEarningsPercent
 EffectiveIncomeTaxRateContinuingOperations
 EffectiveIncomeTaxRateReconciliationOtherAdjustments
 EffectiveIncomeTaxRateReconciliationRegulatoryFine
 EffectiveIncomeTaxRateReconciliationTax CreditsResearch
 EffectiveIncomeTaxRateReconciliationNon deductibleExpenseShareBasedCompensat ionCost

Not all firms will report the same adjustments. The company above, for example, adjusts for an EU regulatory fine. Other companies will not routinely do this.



An example of **deferred tax assets and liabilities**. Deferred tax assets are items that can be used to reduce tax payments in the future. Deferred tax liabilities are taxes from the current period that will be paid in the future.

	As of December 31,	
	2016	2017
Deferred tax assets:		
Stock-based compensation expense	\$ 574	\$ 251
Accrued employee benefits	939	285
Accruals and reserves not currently deductible	500	717
Tax credits	631	1,187
Basis difference in investment of Arris	1,327	849
Prepaid cost sharing	4,409	498
Net Operating Losses	305	320
Other	621	379
Total deferred tax assets	9,306	4,486
Valuation allowance	(2,076)	(2,531)
Total deferred tax assets net of valuation allowance	7,230	1,955
Deferred tax liabilities:		
Depreciation and amortization	(877)	(551)
Identified intangibles	(844)	(419)
Renewable energy investments	(788)	(531)
Foreign earnings	(4,409)	(68)
Other	(155)	(136)
Total deferred tax liabilities	(7,073)	(1,705)
Net deferred tax assets	\$ 157	\$ 250



*As reported line item detail for particular schedules and roll-forwards can be viewed & searched at www.calcbench.com/breakout



Unrecognized tax benefits (also called uncertain tax positions, ASC 740). These are tax treatments used by the company that it, or its auditor, believe may be disputed by tax authorities in the future.

(Millions)	2017	2016	2015
Gross UTB Balance at January 1	\$ 319	\$ 381	\$ 583
Additions based on tax positions related to the current year	119	67	77
Additions for tax positions of prior years	149	43	140
Reductions for tax positions of prior years	(38)	(66)	(399)
Settlements	(3)	(95)	(4)
Reductions due to lapse of applicable statute of limitations	(16)	(11)	(16)
Gross UTB Balance at December 31	\$ 530	\$ 319	\$ 381
Net UTB impacting the effective tax rate at December 31	\$ 526	\$ 333	\$ 369

Calcbench metric:

UnrecognizedTaxBenefits

UnrecognizedTaxBenefitsIncreasesResulting
FromCurrentPeriodTaxPositions

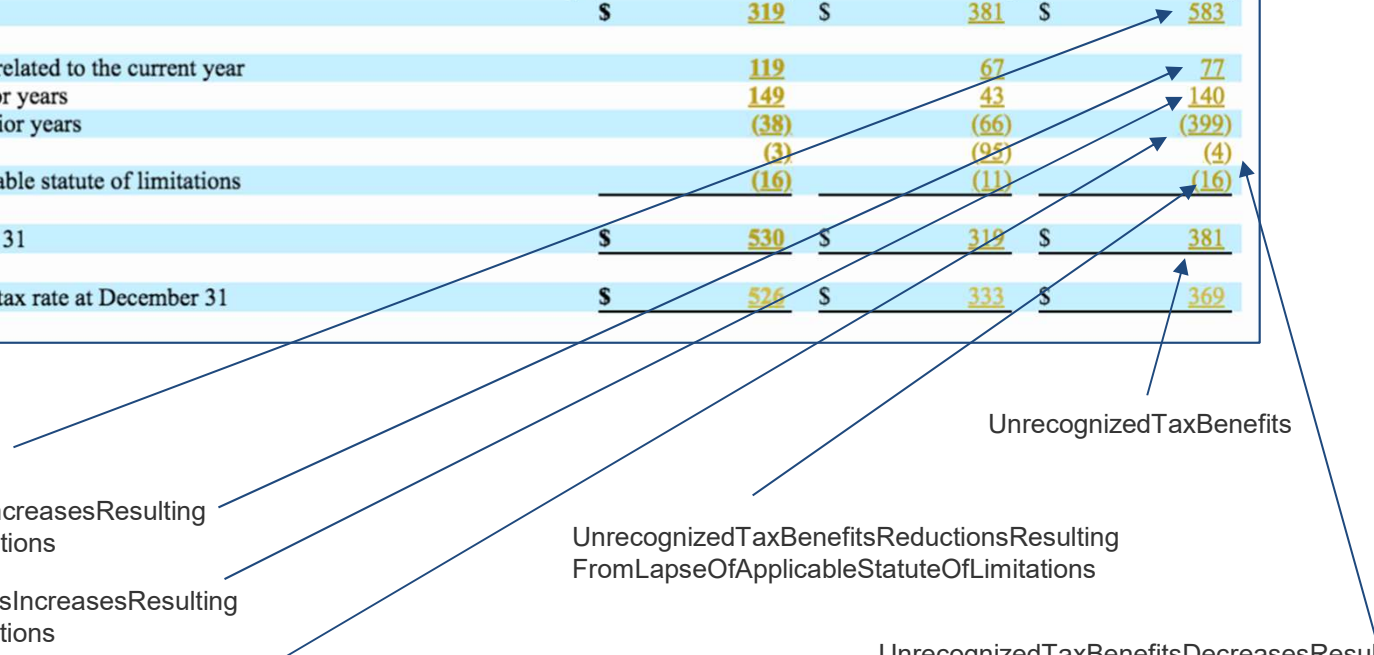
UnrecognizedTaxBenefitsIncreasesResulting
FromPriorPeriodTaxPositions

UnrecognizedTaxBenefitsDecreases
ResultingFromPriorPeriodTaxPositions

UnrecognizedTaxBenefitsReductionsResulting
FromLapseOfApplicableStatuteOfLimitations

UnrecognizedTaxBenefitsDecreasesResulting
FromSettlementsWithTaxingAuthorities

UnrecognizedTaxBenefits

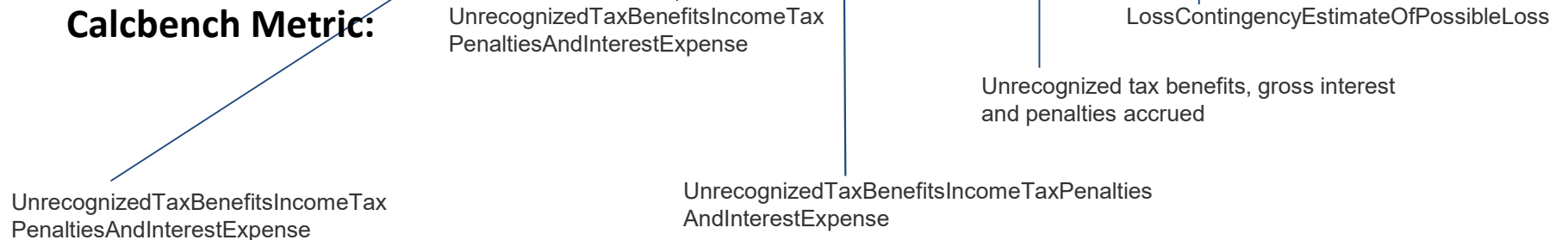




Interest and penalties related to unrecognized tax benefits (see previous slide), if applicable. This includes total cumulative accrued interest and penalties, and amount recognized for the period of the filing.

The Company includes interest and penalties related to unrecognized tax benefits within the provision for income taxes. As of September 30, 2017 and September 24, 2016, the total amount of gross interest and penalties accrued was **\$1.2 billion** and **\$1.0 billion**, respectively, which is classified as non-current liabilities in the Consolidated Balance Sheets. In connection with tax matters, the Company recognized interest and penalty expense in 2017, 2016 and 2015 of **\$165 million**, **\$295 million** and **\$709 million**, respectively.

Calcbench Metric:





Unremitted Foreign Earnings

'UFE' reports the cumulative foreign earnings a company considers 'indefinitely or permanently reinvested' (not returning to U.S.), and estimates the taxes due if those earnings *were* returned to U.S.

The tax reform of 2017 imposed a one-time 'deemed-repatriation tax' on UFE, allowing companies to bring that money back to the U.S. The future of UFE reporting habits remains unclear in 2018.

Reconciliation of the U.S. federal statutory rate to effective rate:		
(Millions of dollars)	2017	
Taxes at U.S. statutory rate	\$ 1,429	35.0 %
(Decreases) increases resulting from:		
Non-U.S. subsidiaries taxed at other than 35%	(282)	(6.9)%
State and local taxes, net of federal ¹	27	0.7 %
Interest and penalties, net of tax	28	0.7 %
U.S. research and production incentives	(52)	(1.3)%
ESOP dividend tax benefit	(21)	(0.5)%
Net excess tax benefits from stock-based compensation	(64)	(1.6)%
U.S. deferred tax rate change	596	14.6 %
Mandatory deemed repatriation of non-U.S. earnings	1,775	43.5 %
Valuation allowances	(111)	(2.7)%
Nondeductible goodwill ²	—	— %
Prior year tax and interest adjustments	—	— %
Other—net	14	0.3 %
Provision (benefit) for income taxes	\$ 3,339	81.8 %

¹ Excludes amounts included in valuation allowances and mandatory deemed repatriation of non-U.S. earnings.

MandatoryDeemedRepatriationOfNonU.S.EarningsAmount



Other questions? Just ask!
Drop us a line:
us@calcbench.com

www.calcbench.com

us@calcbench.com