Form **15307**
(February 2022)

Department of the Treasury - Internal Revenue Service

Post-Filing Disclosure for Specified Large Business Taxpayers

Number of disclosures	Name on return
EIN on return	Tax year

Disclosure 1

Unique number	Subsidiary or legal entity					
Adjustment type	Timing	Effect on carryover	FEIN	Form	Page	Line

Description	Increase (decrease) to taxable income	Increase (decrease) to tax credits

Explanation

Under penalties of perjury, I declare that I have examined this document and accompanying schedules and statements and to the best of my knowledge and belief, they are true, correct, and complete.

Name	Title	Signature *(electronic)* OR Signature *(type/print)*	Date

Instructions for Form 15307, Post-Filing Disclosure

The purpose of this form is to provide to IRS Large Business & International Division (LB&I) disclosures of known adjustments by eligible taxpayers (to be defined in Published Guidance) under audit.

Line-By-Line Instructions

The following information is required to be furnished as part of a post-filing disclosure. Partially complete, missing, or incorrect information will constitute a "Failure to Provide Adequate Disclosure" discussed below.

Name on Return – Name of the entity filing the tax return.

EIN on Return – EIN of the tax return filing entity.

Tax Year – tax year of the Taxpayer.

Unique Number – A numeric coding selected by the Taxpayer to distinguish its disclosure filings.

Subsidiary or Legal Entity – For a consolidated return, the subsidiary impacted by the disclosure; this item is not applicable to a non-consolidated entity. However, if the disclosure relates to a disregarded entity for internal reporting purposes, the disregarded entity should be reported here regardless of the consolidated/non-consolidated nature of the return.

Adjustment Type – The characteristic of the disclosed item based upon the options provided.

Timing – If the disclosure represents a permanent adjustment against taxable income or credits, a short-term temporary difference that will reverse within 1-3, or a longer-term temporary difference that will reverse within 3-10 years.

Effect on Carryover – If the disclosed item only impacts the current tax year, select "No." If the item has impact on a subsequent tax year, select "Yes."

FEIN – EIN of the impacted subsidiary or disregarded entity.

Form – IRS form affected by the disclosed item.

Page – IRS form page(s) impacted by the disclosed item.

Line Number – Line number on the aforementioned form and page impacted by the disclosure.

Description – A brief description of the disclosed item.

Increase (Decrease) to Taxable Income – The overall increase/(decrease) to taxable income if the disclosure is related to ordinary income, capital gain/loss, Sec. 1231gain/loss, ordinarily gain/loss, the dividends received deduction, or expense deduction.

Increase (Decrease) to Tax Credits - The overall increase/(decrease) to tax credits if the disclosure is related to tax credits.

Explanation – A detailed explanation of the disclosure providing the necessary facts and circumstances to understand the nature and implications of the disclosure.

Netting of Adjustments

In general, netting of adjustments is not permitted. Each disclosed adjustment should be separately stated. However, where the facts and circumstances of an item are identical, and represent a high volume of low dollar amounts, the disclosures can be netted.

Disclosure Examples *(All of the taxpayers in the following examples are eligible to use this limited disclosure procedures)*

1. Incomplete Disclosure Description

LMN Inc., a C-Corp. During 202X, LMN Inc.'s subsidiary, OPQ LLC, begins to accrue an expense for a general litigation reserve on a monthly basis. LMN Inc. does not review the accrued expense during the preparation of its 202X Form 1120 and does not recognize a Schedule M-3 adjustment for the accrued expense. Subsequent to the return filing, LMN Inc. determines that the accrued expense does not meet the requirement of economic performance [IRC §461(h)] or the recurring item exception [IRC §461(h)(3)]. The total accrued expense reported on the balance sheet is $5,000,000; no portion of this accrual has ever been adjusted on Schedule M-3.

LMN Inc. files a post filing disclosure to correct the item, showing a single disclosure for an "Expense Deduction" increasing taxable income by $5,000,000. This adjustment was described as "Correction of incorrect treatment of an accrued expense."

This is an inadequate disclosure because LMN Inc. has not provided a detailed explanation of the disclosure, nor have they provided any of the necessary facts or circumstances to understand the nature and implication of the disclosure.

2. Acceptable Disclosure Description

Same Facts as Example 1, but the Taxpayer's post filing disclosure described the adjustment as follows: "Subsequent to the 202X Form 1120 filing, LMN Inc. found that its subsidiary, OPQ LLC, was recognizing for tax purposes an accrued expense for a litigation reserve. This reserve is a general fund and is not specific to any pending or ongoing litigation. Upon review, it was determined that this reserve does not meet the recurring item exception under §461(h) or the recurring item exception under §461(h)(3). No portion of the reserve was adjusted on a prior year tax return. Therefore, the full balance of the reserve, $5,000,000, is reversed and recognized as a current year adjustment."

This is an adequate disclosure of the Taxpayer's circumstances and adjustments.

3. Unacceptable Netting of Adjustments – Depreciation

ABC Company, a C-Corp. During 202X, they mistakenly capitalized and depreciated $200,000 of items ordinarily treated as deductible repairs and maintenance. ABC Company claimed $100,000 of bonus depreciation and $20,000 of regular depreciation on its Form 1120 as filed. Additionally, ABC Company discovered $1,000,000 of 15-year property eligible for bonus depreciation not previously claimed.

ABC Company files a post filing disclosure to correct the item, showing a single disclosure for an "Additional Expense" reducing taxable income by $580,000. This adjustment was described as "Correction of incorrect treatment of deductible repairs and maintenance as depreciable property and correction of bonus depreciation for the current year."

This is an inadequate disclosure because the ABC Company has inappropriately netted the repairs and maintenance and bonus depreciation adjustments.

4. Acceptable Disclosure – Depreciation

Same Facts as Example 3, but the Taxpayer's post-filing disclosure shows 3 adjustments:

- $120,000 decrease to an Expense Deduction to "Adjustment depreciation expense for non-capital repairs and maintenance."
- $200,000 increase to an Expense Deduction to "Deduct mistakenly capitalized non-capital repairs and maintenance."
- $500,000 increase to an Expense Deduction to "Deduct mistakenly omitted bonus depreciation on eligible property. The property placed in service had been reported on Form 4562, Part III, Line 19(e).

This is an adequate disclosure of the Taxpayer's circumstances and adjustments.

5. Acceptable Netting of Adjustments – Flow-Through Income

XYZ Corporation, a C-Corp and investor in approximately 50,000 flow-through entities. During 202X, XYZ Corporation does not receive timely Schedule K-1s for all of its flow-through investments with adequate time to make the filing deadline for its Form 1120; as a result, XYZ Corporation makes a good faith effort to reasonably estimate the income and expense items from its flow-through investments.

After XYZ Corporation has received all Schedule K-1s and filed its Form 1120, it notes that the net pass through income is understated by $10,000,000. However, this amount is made up of a large volume of low dollar transactions, originating with 33,500 of the flow-through entities. The single largest individual correction is $100,000.

XYZ Corporation files a post-filing disclosure to correct the reported income from flow-through entities, showing a single disclosure for "Ordinary Income," and increasing taxable income by $10,000,000. This adjustment was described as "Correction of estimated income from flow-through entities to conform with amounts as reported on Schedule K-1s as received. This adjustment is comprised of 33,500 individual amounts; the single largest flow-through entity adjustment is $100,000."

Because XYZ Corporation's adjustment nets a high volume of low dollar adjustments, the netting of the flow-through income adjustments is permissible.

6. Unacceptable Netting of Adjustments – Partnership Income

Same facts as Example 5, however, there is an additional flow through adjustment increasing income by $1,000,000. The additional adjustment is related to XYZ Corporation's investment in the UVW Partnership.

XYZ Corporation files a post filing disclosure to correct the reported income from flow-through entities, showing a single disclosure for "Ordinary Income," increasing taxable income by $11,000,000. This adjustment was described as "Correction of estimated income from flow-through entities to conform with amounts as reported on Schedule K-1s as received. This adjustment is comprised of 33,501 individual amounts; the single largest flow-through entity adjustment is $1,000,000."

Because the additional adjustment is not a high volume/low dollar amount, unlike the other partnership adjustments, this is an inadequate disclosure.

7. Acceptable Separation of Adjustments & Netting of Adjustments – Flow-Through Income

Same facts as Example 6, but XYZ Corporation makes the following disclosures:

- $10,000,000 increase to income described as "Correction of estimated income from flow-through entities to conform with amounts as reported on Schedule K-1s as received. This adjustment is comprised of 33,500 individual amounts; the single largest flow-through entity adjustment is $100,000."
- $1,000,000 increase to income described as "Correction of the estimated income from the UVW Partnership (EIN XX-XXXXXXX) to conform with the amount reported on Schedule K-1 as received."

This is an adequate disclosure of the Taxpayer's circumstances and adjustments.

8. Acceptable Reduced Capital Gain

On December X, 20XX, AAA sold M Corp to Newco. M Corp was a disregarded single-member LLC, and the sale was treated as a sale of all the assets held by M Corp. AAA recognized a gain of $100 million, which was reported on the Schedule D. AAA mistakenly reduced the basis of M Corp by disallowed deductions. The refund claim reflects the add-back of the disallowed deductions to the basis of the M Corp assets.

9. Acceptable Increase to Other Income

In preparing the AAA FY 201Y federal return, an error was identified in how the FY 201X start-up expenditures of XYZ were reported. XYZ was not in operation in FY 201X and will not begin operation until FY 20XX. AAA inadvertently took a $4,000,0000 deduction. AAA proposes to capitalize the start-up expenses under IRC 195, subject to amortization when XYZ begins operation.

10. Acceptable Increase to income for a double deduction for a transfer pricing adjustment

On the 201Y return, XYZ Corp inadvertently did not adjust its tax return for the recording of the 201X transfer pricing entries in 201Y. These entries had already been reflected for tax purposes in the 201X tax return and should have been reversed in its 201Y tax return. The $8,000,000 was double counted in 201Y. To reconcile retained earnings this adjustment was incorrectly recorded to its investment in subsidiaries.

Failure to Provide Adequate Disclosure

Failure to meet the requirements set forth here will result in the disclosure being inadequate. Inadequate disclosures will not result in protection from accuracy-related penalties. Further, a Taxpayer deemed to have made inadequate disclosures will be ineligible from utilizing Form 15307 for a set period of time [TBD]. Mathematical errors within a disclosed item will not constitute an inadequate disclosure unless they are intentional or recurring.