

THE PPC GOVERNMENTAL UPDATE

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Omnibus 2020: What's Changing?



In January 2020, GASB issued GASBS No. 92, *Omnibus 2020*. The amendments included in the new statement aim to improve comparability and consistency related to accounting and financial reporting requirements included in authoritative literature. The Omnibus title indicates that the statement addresses several different areas of governmental accounting and reporting, each with its own effective date.

Effective Date of GASBS No. 87, *Leases*, and Implementation Guide 2019-3

GASBS No. 87 was originally effective for *reporting periods* beginning after December 15, 2019. GASBS No. 87 and the related Implementation Guide 2019-3 are now effective for *fiscal years* beginning after December 15, 2019, and *all reporting periods thereafter*, with earlier application encouraged.

Intra-entity Transfer of Assets

Situations arise where there is a difference between the carrying value of the transferred asset and the amount paid by the pension or OPEB plan to the governmental employer or nonemployer contributing entity. When this occurs, the intra-entity transfer is reported as *employer* or *non-employer contributing entity contributions*. This amendment makes the reporting of intra-entity transfers of assets consistent across GASBS Nos. 67, 68, 74, and 75. The amendments are effective for fiscal years beginning after June 15, 2020.

Certain Effects of GASBS No. 84

The issuance of GASBS No. 84 affected other standards, requiring amendments to clarify the intent of the affected standards. The amendments provide consistency in overall reporting.

- The use of the term *control* in GASBS No. 84 left room for interpretation

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in regards to whether or not GASBS Nos. 73 and 74 applied when the government did not have control of the assets. To clarify the guidance, the Board amended the guidance focus from governments that *control assets* to governments that *accumulate assets*. The amendment is effective for fiscal years beginning after June 15, 2020.

- Paragraphs 22 and 25 of GASBS No. 84 require all pension and OPEB plans to report the statement of fiduciary net position and the statement of changes in fiduciary net position in accordance with GASBS Nos. 67 and 74. However, GASBS Nos. 67 and 74 only require note disclosure for defined contribution plans. The amendment updates GASBS No. 84 to limit the requirements to defined benefit plans. The amendments are effective for fiscal years beginning after June 15, 2020.

Exception to Acquisition Value in a Government Acquisition

According to GASBS No. 69, acquired municipal solid waste landfill closure and postclosure care costs and obligations for pollution remediation do not have to use acquisition value under certain situations. The Board concluded that the basic measurement requirements and principles that allowed these exceptions were similar to the measurement of some government acquisitions of asset retirement obligations (AROs) and, thus, should also be exempted. Therefore, an ARO's acquisition value is reported under GASBS No. 83. The amendment is effective for fiscal years beginning after June 15, 2020.

Reinsurance Recoveries

Paragraph 10 of GASBS No. 37 has conflicting guidance on reporting recoveries from reinsurers or excess insurers. The amendment updates the guidance to reflect that recoveries from reinsurers and excess insurers related to paid claims and claims adjustment expenses can be reported as a reduction of expenses but are not required to be. The amendment is effective upon issuance.

Nonrecurring Fair Value Measurements

Paragraph 81 of GASBS No. 72 incorrectly refers to a recurring fair value measurement of an asset example in paragraph 453 of GASBS No. 62. The amendment updates the reference to correctly refer to a nonrecurring fair value measurements of an asset example in paragraph 455 of GASBS No. 62. The amendment will be effective for reporting periods beginning after June 15, 2020.

Terminology Used to Refer to Derivative Instruments

Both *derivative(s)* and *derivative instrument(s)* are used throughout the Codification to refer to derivative instruments. For consistency, all instances of *derivative(s)* are changed to *derivative instrument(s)*. The amendment was effective upon issuance.

Practical Consideration:

The full text of GASBS No. 92 is available on Checkpoint at checkpoint.riag.com for users that subscribe to GASB content, and at www.gasb.org.



2020 Payroll and Nonemployee Compensation Changes

IRS payroll changes affect employers in all types of industries, including governments. Government finance professionals should educate themselves on recent IRS changes affecting their employees.

Form W-4 Revised for 2020

The IRS issued a redesigned Form W-4 (Employee's Withholding Certificate) for 2020 on December 5, 2019. The new form no longer uses withholding allowances. Instead, there is a five-step process and a new Publication 15-T (Federal Income Tax Withholding Methods) for determining employee withholding.

The form was redesigned to conform with changes made by the Tax Cuts and Jobs Act (TCJA). Because personal exemptions are suspended for tax years 2018–2025, the revised Form W-4 bases the amount of income tax withholding on an employee's projected taxable income instead of the number of withholding allowances claimed by an employee.

Fortunately, the IRS is *not* requiring all employees to complete a 2020 Form W-4. The IRS designed the federal withholding tables so that they will work with both the 2020 Form W-4 and prior-year versions of the

form. However, the following employees must use the 2020 Form W-4:

- those hired in 2020 and
- any employee who makes withholding changes in 2020.

Employers *can* request that employees hired before 2020 submit a new Form W-4 but cannot *require* them to do so. However, employers should convey to employees that completing a new Form W-4 may ensure that their income tax withholding is more accurate based on the current tax rates and standard deductions. Withholding for employees who do not complete a 2020 Form W-4 will continue to be based on the number of withholding allowances claimed on their most recently completed Form W-4.

2020 Changes for Reporting Nonemployee Compensation

The IRS released the 2020 version of Form 1099-MISC (Miscellaneous Income) and a new Form 1099-NEC (Nonemployee Compensation). For years prior to 2020, Form 1099-MISC was filed to report payments totaling at least \$600 for services performed in a trade or business by someone who is not treated as an employee [box 7 (Nonemployee compensation)]. Due to a separate deadline for Forms 1099-MISC that reported NEC in box 7 from the deadline for all other Forms 1099-MISC, the IRS has released Form 1099-NEC beginning in 2020 to end confusion and complications for taxpayers.

Box 1 of new Form 1099-NEC is used to report non-employee compensation and/or nonqualified deferred compensation (NQDC). NQDC amounts reported in box 1 are included in the recipient's gross income for failing to meet Code Sec. 409A requirements. Boxes 2 and 3 are reserved. Box 4 is used to report backup withholding when a payer fails to provide a taxpayer identification number (TIN). Boxes 5 through 7 are used to report state income withholding. Form 1099-NEC for the 2020 tax year must be furnished to recipients and filed with the IRS by February 1, 2021, using either paper or electronic filing procedures.

With the reporting of nonemployee compensation moving to Form 1099-NEC, box numbers for the 2020 Form 1099-MISC have changed. Box 12 is used to report Code Sec. 409A deferrals (previously, box 15a of the 2019 form) and box 14 is used to report nonqualified deferred compensation (previously, box 15b and entitled "Section 409A income"). The 2020 Form 1099-MISC must be furnished to recipients by February 1, 2021, but may be extended to February 16, 2021, if reporting payments in box 8 or 10. Form 1099-MISC must be filed with the IRS

by March 1, 2021, if filing by paper, or by March 31, 2021, if filing electronically.

Practical Consideration:

Forms 1099-MISC and 1099-NEC, as well as Publication 15-T, are available at www.irs.gov/forms-instructions. Instructions for the 2020 forms are available at www.irs.gov/pub/irs-pdf/i1099misc.pdf.



GASB Concept ED on Financial Statement Disclosures

In February, GASB issued an exposure draft of proposed concept statement, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements: Notes to Financial Statements* (the proposed concept statement).

This proposed concept statement would be one in a series of concept statements that will be issued by the GASB. Concept statements are intended to provide a conceptual framework of interrelated objectives and fundamental principles that can be used to establish consistent accounting and financial reporting standards and assist users and practitioners to better understand the fundamental concepts underlying the accounting and financial reporting standards.

The proposed concept statement would supersede paragraphs 35–39 of Concepts Statement No. 3, *Communication Methods in General Purpose External Financial Reports That Contain Basic Financial Statements*, which address the communication method of disclosure in notes to financial statements.

Summary of Key Provisions of the Exposure Draft

This proposed concept statement describes the purpose of notes to the financial statements and the users of those notes. It also defines the criteria for disclosing information items in notes to the financial statements, including:

- The types of information disclosed in the notes to financial statements,
- The types of information that are not appropriate for notes to the financial statements, and

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- The degree of importance that information disclosed in the notes to the financial statements should possess.

The proposed concept statement describes certain characteristics that make information included in notes to financial statements essential to users making economic, social, or political decisions or assessing accountability, and states that each item disclosed should possess one of the characteristics of essentiality. Those characteristics include the following:

- Evidence that the information is being utilized in users' analyses for making decisions or assessing accountability and
- Evidence that if the information became available, users would modify their analyses for making decisions or assessing accountability to incorporate that information.

Effective Date

The proposed concept statement would be effective once finalized.

Comment Deadline

The comment deadline is April 17, 2020.

Practical Consideration:

The full text of the Exposure Draft is available on Checkpoint at [checkpoint.riag.com](https://www.checkpoint.riag.com) for users that subscribe to GASB content, and at www.gasb.org.

