



Future-Proofing Your Tax Organization: **Essential Preparations for Tax Reform**

Tax reform is an ever-evolving landscape that regulated utilities must navigate to ensure compliance and optimize financial strategies.

Utility companies that fail to prepare for corporate tax reform can face serious consequences, including financial discrepancies, increased regulatory scrutiny, and operational inefficiencies—all of which can negatively impact the bottom

line and place undue burden on the customer. Proper preparation is essential to ensure compliance, financial stability, and efficient operations.

This white paper outlines the essential steps utilities should take now to prepare for and successfully navigate future tax reform.

Legislative Environment

The Tax Cuts and Jobs Act (TCJA) of 2017 brought significant changes to the corporate tax landscape, impacting utilities in particular by:

- **Reducing** the corporate tax rate from 35% to 21%,
- **Eliminating** bonus depreciation for regulated utilities,
- **Updating** mandates around amortization of R&D expenses, and
- **Requiring rate refunds** based on regulatory requirements.

As a result, CEOs and CFOs needed to swiftly grasp implications for their businesses and customers.

Furthermore, the income tax rate change presented an entirely new challenge for the tax departments who had to prepare for, enact, and measure the impact of the unprecedented legislative shift, as TCJA marked the first major change to the corporate tax rate in more than 30 years.

What's Next?

Today, political headwinds indicate a growing appetite for new tax legislation, making future reform increasingly likely.

"As the political appetite for new tax legislation grows, the process for navigating change is certainly more familiar this time, yet not without continued complexity."
Lee Watkins, Chief Strategy Officer, PowerPlan

State rates also can fluctuate independently of federal rates, adding additional challenges. Therefore, utilities must understand the implications of these changes for the business and undertake extensive preparations to manage them effectively.

With the right financial tools and implementation partners, preparations for 2025 tax reform are much easier than what the industry experienced in 2017.

By taking proactive measures now, utilities can effectively manage immediate tax reform uncertainties, while also positioning for long-term success and ensuring preparedness for any future adjustments.

Key impact areas of tax reform:



Three Steps Utilities Should Take Now to Prepare for Corporate Tax Reform

1 Balance Systems and Data

Maintaining balanced systems is crucial for utilities to avoid regulatory scrutiny and ensure financial integrity, especially when it comes to corporate tax reform and the heightened attention it brings from regulators and auditors.

Discrepancies between the general ledger, plant accounting, tax depreciation, and deferred tax systems can lead to significant issues, including a rare but problematic normalization violation. **It's especially important for income tax data to be up to date, accurate, and reconciled**, as accurate tax depreciation calculations directly impact tax provision calculations in order to support ASC740 and ASC980 requirements amidst tax reform.

Managing tax-related adjustments with PowerPlan **Tax Fixed Assets (TFA)** enhances accuracy with easier data imports and automated data validations. As part of PowerPlan's fully integrated **NXT** SaaS platform, **data from TFA flows seamlessly into Provision NXT** and powers income tax calculations, ensuring robust data integrity and simplifying the systemization process. This integration is crucial for long-term financial health and regulatory compliance, especially when preparing for tax reform.

"Balanced systems are key to confidence in your data, as inputs from TFA feed into Provision NXT to inform deferred tax, tax depreciation, and income tax projections in a unified view."

Rob Burns, Director, Product Management

In addition to operational enhancements, regular self-assessments can identify and rectify long-standing issues. This includes identifying and ensuring that events like acquisitions or state rate changes are accurately reflected in the system.

2 Begin Forecasting and Planning

Forecasting tax depreciation and deferred taxes helps prepare for the impacts of potential changes and can inform corporate strategy. These forecasts often include long-term calculations of existing assets, planned fixed asset and depreciation activity, and projected changes to the corporate tax rate. Utilities also may incorporate anticipated events, like plant closures or M&A. Delivering forecasts to stakeholders quickly is paramount in today's landscape where changes occur so frequently.

Utilities should run forecasts ahead of tax reform for several important reasons:

- Forecasting allows tax departments to **understand the financial impact of reform provisions on their operations**, including adjustments to income tax liabilities, deferred tax balances, and customer rates. This proactive approach helps in planning and mitigating risks associated with sudden legislative changes.
- Forecasting across various scenarios helps financial leaders **make informed decisions**, like evaluating how new regulations will affect financial statements, compliance requirements, and overall business strategy. Accurate forecasting ensures that utilities can adjust their operations and financial plans to maintain stability and compliance.
- Forecasting also helps utilities **identify any data inaccuracies or system imbalances** that could lead to regulatory scrutiny or delays in implementing an eventual tax reform event. By addressing these issues in advance, utilities can avoid potential penalties and ensure a smoother transition when the new legislation is implemented.

The most prepared tax departments forecast across various scenarios:

- **Scenario-based forecast:** Evaluating the impact of known future activity, such as retiring a coal plant or increasing future investments, is an important view for financial planning.
- **Three- to five-year deep dive:** Short-term forecasting enables companies to quickly adjust operations and strategies in response to changing political or market conditions.
- **80-year forecast:** Forecasting decades into the future captures the entire lifecycle of long-living assets, drives compliance with long-term financial and tax obligations, and increases confidence that deferred taxes will fully unwind.

Companies should tailor their forecasting to their business environment, planned spending, and political trends—such as an administration's stance on renewable versus non-renewable energy.

Consider the right tools for the job

Whether you're running an 80-year or three-year forecast, it's important to have a flexible tool that can handle a variety of scenarios—and fast. Manual systems can cause delays, inaccuracies, and increase pressure on already overburdened tax departments.

PowerPlan's tax solutions are equipped to help with forecasting for tax reform, offering detailed deferred tax functionality and allowing companies to manage complex tax scenarios.

"With TFA, we were able to run an 80-year forecast in minutes, which gave us the confidence to plan for future tax reforms and ensure our data integrity."

Charles Mannix, Tax Director, WGL

TFA streamlines the forecasting process significantly, enabling quick and efficient long-term depreciation and deferred tax forecasts. With TFA, companies can perform decades-long forecasts with just a few clicks. Layering in scenarios, like plant closures or changes to the corporate tax rate, can be done easily, reducing manual effort and making TFA a valuable tool for strategic tax planning. With

improved data transparency and accessibility provided by native connection with PowerPlan's **Data Hub** solution, information from TFA can be fed into data analysis tools like Excel, Power BI, and data lakes, taking forecast calculations a step further by powering real-time graphical analysis and automation of workpapers.

Results from TFA are also fed directly into Provision NXT, offering an even more granular look at how reform scenarios may directly impact income tax results, including regulatory accounting entries and ETR effects.

On the other hand, while PowerTax offers forecasting functionality, it requires a more manual and time-consuming approach. Organizations utilizing PowerTax may consider engaging with PowerPlan professional services to ease the forecasting burden, ensuring accurate and compliant forecasts to prepare for reform possibilities.

3 Systematize and Automate the Latest Tax Changes

To ensure preparedness for future tax reform, companies should adopt a systematic approach to managing tax legislation, ranging from state rate changes to federal provisions, related to TCJA and future needs. While many utilities have already integrated key TCJA changes, some continue to rely on manual or offline schedules. These legacy processes are increasingly unsustainable as tax complexity grows.

Common items to consider systematizing:

- Some utilities bypass system capabilities and apply the Reverse South Georgia (RSG) method to all excess deferred income taxes (EDIT). Calculating RSG outside of an auditable system is not only more manual and time consuming, but also more prone to error.
- Some utilities have ignored the impact of retirements on the reversal of their excess deferred taxes generated by TCJA, instead basing their annual reversals on long-term forecasts performed shortly after the rate change went into effect.
- Some organizations do not capture state-level EDIT within their core tax systems, leading to incomplete or outdated reporting.

Manual schedules are not only inefficient, they quickly become outdated and difficult to manage as tax rules evolve. Instead, utilities can continually implement evolving tax requirements using both TFA and PowerTax.

TFA offers a streamlined process capable of handling these tasks with minimal effort and a simplified data setup, making it the most efficient solution. This approach not only simplifies the reversal process and allows for simplified

tracking of RSG amortization, but also maintains robust system integrity, crucial for regulatory scrutiny and long-term financial health.

While earlier versions of PowerTax require more manual configuration, it is a more efficient option than tracking these adjustments to accumulated deferred taxes in Excel—and therefore maintains data integrity when housed and calculated in one place.

Getting Started

Preparing for corporate tax reform may seem daunting, but it doesn't have to be. With the right tools and support, utilities can navigate these changes smoothly and efficiently.

PowerPlan is here to assist through our products and professional services, ensuring that tax departments' systems are balanced and compliant.

We partner with organizations to address the following questions:

- How prepared does your team feel for tax reform in the short term and long term?
- Is your CFO thinking about planning and forecasting around tax reform?
- What version of PowerTax and Provision are you using?
- Will you be using TFA prior to tax reform passing?
- Would it benefit your team to engage professional services to help run forecasts and ensure systems are in balance for reform?
- Have you started scenario planning?
- How frequently are you refreshing your scenario analysis?

Leveraging TFA and Provision NXT sets your organization up for future success. These SaaS solutions streamline processes, making it easier to manage tax-related adjustments and maintain robust system integrity. They respond to regulatory changes with regular updates delivered automatically, providing the flexibility and control needed to handle tax changes confidently.



If you have any questions or need further assistance, reach out to us at TaxReform@PowerPlan.com. We're happy to help you every step of the way.

About PowerPlan

PowerPlan began with a simple realization: The more fixed assets an organization has, the more challenging it is to manage them financially and to strategically understand how compliance requirements impact the treatment of each asset. Our founders saw ERPs and EAMs alone didn't capture enough data to optimize decisions, so they built the first software platform that combined granular financial and operational asset data from every corner of the organization; filling the gaps ERPs and EAMs could not provide. For more information, please visit powerplan.com.