



Retroactive Tax Legislation

Policy Position

Position: *Legislation imposing new or increased tax liabilities attributable to prior periods is fundamentally unfair and in some cases unconstitutional and thus must be avoided. Under no circumstance should legislation imposing new or increased tax liabilities be applied to any periods beginning prior to the date the legislation was enacted. Retroactive legislation or administrative pronouncements that do not impose new or increased tax liabilities may be appropriate.*

Explanation: When a legislative body retroactively changes laws covering time periods for which liability for tax has already legally attached, questions about the stability, reliability, and fairness of the tax system inevitably arise. Taxpayers make significant financial decisions based on the current tax laws; those decisions must not be undermined by legislation imposing new or increased tax liabilities after the fact. Additionally, retroactive changes may have unintended consequences for a company's financial reporting.

Rules, regulations, and other pronouncements of a government taxing agency that impose new or increased tax liabilities must be prospective only.