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KPMG report: EITF consensus to expand use of proportional amortization method

The Emerging Issues Task Force (EITF) on December 1, 2022, reached a final consensus on EITF Issue 21-A to expand the population of investments for which an investor may elect to apply the proportional amortization method (PAM).

PAM accounting has been available for qualifying investments in qualified affordable housing projects (e.g., low-income housing tax credit (LIHTC) investments) as an alternative to either the cost or equity method of accounting since 2014. Given the economic similarities between LIHTC investments and other tax equity investments, stakeholders requested the Financial Accounting Standards Board (FASB) consider expanding the availability of the PAM, which led to EITF Issue 21-A.

If the EITF consensus is ratified by the FASB, an investor in a tax equity investment would be able to elect the PAM for qualifying investments on a tax credit program-by-program basis. To qualify for the PAM, an investment would have to meet the criteria previously applicable only to LIHTC investments, as clarified by the final consensus. Disclosures would be required on an interim and annual basis for tax equity investments within tax credit programs for which the PAM is elected, regardless of whether the PAM is applied.

The FASB is expected to discuss ratification of the final consensus in January 2023. If ratified, the expansion of the PAM would be effective for public business entities for annual periods beginning after December 15, 2023, and one year later for all others, with early adoption permitted.

Read a [December 2022 report](#) [PDF 274 KB] that discusses the EITF consensus

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