

**Date:** [Insert Date]

**To:** [Recipient Name/Audit Committee]

**From:** [Name/Title]

**Subject:** Evaluation of Deferred Tax Asset (DTA) Impairment and Valuation Allowance

Dear [Name],

This letter summarizes our assessment of the recoverability of the Company's Deferred Tax Assets (DTAs) as of the reporting period ending [Insert Date].

### **1. Background**

As of the balance sheet date, the Company has recorded gross DTAs totaling \$[Amount]. These assets primarily relate to [List sources, e.g., net operating loss carryforwards, tax credits, or temporary differences].

### **2. Valuation Assessment**

In accordance with [Insert Accounting Standard, e.g., ASC 740 or IAS 12], we have evaluated whether it is "more likely than not" that some or all of the DTAs will be realized. Our assessment considered both positive and negative evidence, including:

- Historical taxable income and recent cumulative losses.
- Projections of future taxable income excluding reversing temporary differences.
- Tax planning strategies available to the Company.
- The remaining carryforward periods for specific tax attributes.

### **3. Conclusion on Impairment**

Based on this analysis, we have determined the following:

[Option A: No Allowance Needed] - Current evidence suggests that sufficient future taxable income will be generated to realize the full value of the DTAs. No valuation allowance is required at this time.

[Option B: Allowance Required] - Due to [State reason, e.g., a history of recent losses], we have determined that it is more likely than not that a portion of the assets will not be realized. Accordingly, an impairment charge/valuation allowance of \$[Amount] has been recorded.

### **4. Approval**

This valuation and the underlying assumptions have been reviewed and approved by management.

Sincerely,

[Signature]

[Name]

[Title]