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Technical Director Financial Accounting Standards Board 401 Merritt 7, PO Box 5116 Norwalk, Connecticut 06856-5116

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Dear Sir/Madam:

The purpose of this letter is to comment on the Board's recently issued Exposure Draft of a proposed Interpretation of Statement No. 109, Accounting for Income Taxes, entitled Accounting for Uncertain Tax Positions. Allied Waste Industries, Inc. (Allied), an SEC registrant, believes the Board's adoption of an "Asset Model Approach" should be reconsidered. Furthermore, assuming the proposed Interpretation remains substantially unchanged from the exposure draft (ED), we believe the proposed implementation date should be delayed.

Asset Model Approach versus Loss Model Approach

Currently, Allied's accounting for uncertain tax positions consists of the following two steps (the "Loss Model Approach"):

Step 1. The benefits from tax positions taken in filed or expected to be filed tax returns are reflected in the financial statements.

Step 2. A reserve under FASB Statement No. 5, Accounting for Contingencies (Statement 5), is required if it is probable that a liability for additional taxes has been incurred and can be reasonably estimated.

We believe that the Loss Model Approach is preferable to the Asset Model Approach for the reasons detailed below.

Step 1 of the Loss Model Approach provides a verifiable basis for recording income tax expense and reporting current and deferred tax assets and liabilities. It also provides clarity to financial statement users in understanding the company's tax situation in that it reflects tax liabilities on the company's balance sheet consistent with the company's cash tax payments. Furthermore, Step 1 simplifies the reconciliation from the tax return to

¹ The proposed Interpretation, on the other hand, would complicate the accounting process and could cause confusion for a financial statement user. For example, under the proposed Interpretation, if a company takes a position on its tax return that 1) fails to satisfy the recognition threshold and 2) creates a realizable net operating carryforward, then the company would not be permitted to recognize a deferred tax asset for the carryforward. This would cause a financial statement user to question why the company is not paying cash taxes since there is no evidence in the financial statements of a net operating loss carryforward.



the financial statements (e.g., the book-tax differences reported in the tax return can be more easily reconciled to the change in the company's deferred tax balances).

A potential concern of the Board regarding Step 1 may be that the benefit from an aggressive tax position is reflected in the financial statements. To mitigate this concern, the Board should consider that Statement 5 (Step 2) would require an appropriate reserve for this position. Another potential concern of the Board may be the diversity in the application of Statement 5. To mitigate this concern, the Board should consider that the documentation and review requirements of the recently implemented Section 404 of the Sarbanes-Oxley Act (SOX) will result in more consistency in the application of Statement 5. If diversity is still a concern, then the Board should consider tightening the rules of Statement 5, as applied to uncertain tax positions, rather than adopting a completely new approach. This will allow the benefits of Step 1 (as described above) to remain while still addressing the Board's concerns.

Furthermore, the Asset Model Approach, if applied using a probable threshold based solely on the technical merits of the position, would significantly overstate corporate tax liabilities. This situation could result in the subsequent reversals of these excess accruals upon the completion of tax audits or the expiration of the applicable statute of limitations. This would cause unnecessary fluctuations in earnings, an increasingly confusing financial presentation and an inability to meaningfully compare financial statements.

Alternative Approaches

In the event that the Loss Model Approach is determined by the Board to be unacceptable, we would recommend the Board reconsider the following two approaches:

- 1. The impairment approach ("Impairment Approach") developed by the Board's staff and described in a handout given to Board members on February 16, 2005.
- 2. An Asset Model Approach where the threshold for recognizing and derecognizing the benefit from an uncertain tax position is substantial authority (we believe this is similar to the approach suggested by the two dissenting Board members in paragraphs B46 & B47 of the ED).

As compared to the Asset Model Approach in the ED, either one of these alternative approaches would 1) be more closely aligned to the reporting of tax positions on the company's tax returns and 2) improve tax reporting as earnings would fluctuate less and financial statements would be more comparable (both company to company and period to period for the same company).

Clarifications

If the Board decides to finalize the Asset Model Approach as described in the ED, we respectfully request that additional guidance be given on the provisions in Paragraph 9 including the concept of "unit of account" and the meaning of the phrase "obviously presented in the tax returns".



Implementation Timing

Assuming the Interpretation remains substantially as it is in the ED, we respectfully submit that additional time is needed to implement the change for the following reasons:

1. Substantial effort and analysis would be required to re-examine each uncertain tax position, determine if the uncertain tax position is probable of being sustained and gather the necessary supporting documentation.

Allied has historically filed income tax returns in the U.S., Canada, Puerto Rico and in more than 40 states. The number of tax returns Allied filed, for its open tax years 1998 – 2003, exceeds two thousand. We would need to formally reexamine each uncertain tax position and then determine and document whether each position is probable of being sustained, in accordance with the criteria in the Interpretation. This review would need to consider events that have occurred since these positions were originally taken. Outside tax consultants and attorneys would have to be involved in this review and documentation process (and at a substantial cost). Given the currently proposed implementation date and the fact that many other companies will need similar services, these outside consultants and attorneys may be unable to complete, in the time frame required, all of the tasks requested of them.

2. The identification of uncertain tax positions and the determination of whether each position is probable of being sustained would need to be audited by Allied's independent auditor.

Although some positions documented would be clear and require very little audit time, many would require review and questioning by the tax specialists that perform our audit. Many of the positions taken may also require a dialogue between our auditor's tax specialists and our outside tax consultants and attorneys. Given the currently proposed implementation date combined with the fact that the auditor's tax specialists would need to perform similar reviews for other companies, would make it difficult, if not impossible, for our auditor to complete the necessary tasks in time for Allied to meet its public filing deadlines.

3. SOX 404 control requirements would need to be addressed, implemented by Allied and then reviewed by Allied's independent auditor.

Allied would need to 1) document the methodology that it plans to use to identify and document uncertain tax positions at adoption and post-adoption and 2) establish COSO compliant control and testing procedures for both the adoption and the post-adoption tax positions. In addition, our independent auditors would need to walk through and approve those control procedures as well as test, over a period of time, Allied's compliance with those controls.

Based on the concerns expressed above, we recommend that the required implementation date be no earlier than 9 months from the date the Board publishes the final guidance.



Summary

We respectfully request that the Board reject the Asset Model Approach and consider a Loss Model Approach with modifications, if necessary, to address the Board's concerns on the current accounting for uncertain tax positions. Alternatively, if the Board rejects the Loss Model Approach, we request that the Board reconsider both the Impairment Approach and the Asset Model Approach with a reduced recognition/de-recognition threshold of substantial authority. Regardless of the action the Board decides to take, we request that required implementation date be no earlier than 9 months from the date final guidance is published.

If you have any questions regarding the above, please call Dale Parker, Vice President, Tax or me at 480.627.2700. Thank you.

Very Truly Yours,

Peter S. Hathaway Chief Financial Officer Allied Waste Industries, Inc.