IAC/InterActiveCorp

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October 11, 2005

Director, TA&I – FSP Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116 Letter of Comment No: Some File Reference: FSP123R-C Date Received:

RE: Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards

Dear Sir or Madam:

We are writing to urge the Board to reconsider the approach for calculating the beginning balance of the APIC pool under the alternative transition method described in the Proposed FASB Staff Position No. FAS 123(R)-c ("Alternative Transition Method"). We believe that reconsideration should be given due to the inequitable result that the Alternative Transition Method produces for companies that have previously adopted the expense recognition provision of FASB Statement No. 123 ("SFAS 123").

The following example illustrates the difference in results produced by the Alternative Transition Method for a share-based payment accounted for under APB Opinion No. 25 ("APB 25") as compared to the expense recognition provision under SFAS 123.

Assume that a company grants an employee a stock option award with a one year vesting period, which the employee exercises at the date that award vests. The fair value of the award under SFAS 123 at the date of grant is \$80, and the fair market value at the time of exercise is \$100. The company's tax rate is 40%.

Compensation Expense Entry:	APB 25	SFAS 123
DR: Compensation Expense DR: Deferred Tax Asset CR: Income Tax Expense	-	80 32 32
Option Exercise Entry:		
DR: Income Taxes Payable CR: Deferred Tax Asset CR: Additional Paid-in-Capital	40 - 40	40 32 8
Alternative Transition Method Calculation:		
Increases in Additional Paid-in-Capital	40	8
Less: Product of Cumulative SFAS 123 Compensation Cost and Statutory Tax Rate	(32)	(32)
APIC Pool	8	(24)



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This example illustrates the bias against early adopters of the expense recognition provision of SFAS 123 resulting from the Alternative Transition Method in its current form. The bias is essentially caused by double-weighting of the gross compensation cost recognized under SFAS 123 for purposes of determining the net APIC credit.

We ask that the Board reconsider the approach for calculating the beginning balance of the APIC pool under the Alternative Transition Method. A potential approach for the Board to consider would be giving companies the alternative of excluding share-based payments accounted for under SFAS 123 from the Alternative Transition Method and having them consider those payments separately under the transition requirements of Statement 123(R). This type of an approach would be in line with the Board's underlying goal of simplicity, while leveling the playing field for early adopters of SFAS 123.

We believe that revising the calculation to cure the inequitable effect on early adopters of the expense recognition provision of SFAS 123 is appropriate, since the affected companies are otherwise at a disadvantage for utilizing the Board's preferred approach for share-based payment accounting.

We appreciate the opportunity to express our views and would be pleased to discuss our comments. Please feel free to contact me at (212) 329-0295.

Sincerely,

Gregory E. Morrow Senior Vice President, Taxation IAC/InterActiveCorp