

Letter of Comment No: 114 File Reference: 1215-001

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Exposure Draft: Proposed Interpretation, Accounting for Uncertain Tax Positions, an interpretation of FASB Statement No. 109

Dear Ms. Bielstein:

Eastman Kodak Company (Kodak or the Company) appreciates the opportunity to comment on the exposure draft (ED) of the FASB's proposed Interpretation, Accounting for Uncertain Tax Positions, an interpretation of FASB Statement No. 109. We further appreciate the FASB's decision to clarify the guidance for accounting for uncertain tax positions, which, as the Board is aware, can result in large temporary differences and provisions, as well as confusion in both the financial statement preparer and investment communities.

Although Kodak generally agrees with the model elaborated in the proposed interpretation, we believe certain amendments to the interpretation would ease both implementation and application of the model in the future. As requested in the forepart of the ED, we have arranged our comments consistent with the 11 issues identified.

Scope - Issue 1

We have no comments on the proposed Scope.

Initial Recognition – Issues 2 and 3

Our comments on the Initial Recognition guidance in the ED center around the accounting for multiple element uncertain tax positions and in particular, determining the "appropriate unit of account." Specifically, the ED as written concentrates on uncertain tax positions that involve only one position taken on an income tax return, while in many situations, several different interpretations of tax laws (or positions) may be made in an overall tax position taken in an entity's tax return. Although the first sentence of

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paragraph 9 of the ED appears to recognize the issue by introducing the concept of an "appropriate unit of account" for determining whether the probable recognition threshold is met for a particular tax position, no further guidance is provided for the actual determination of the appropriate unit of account nor the appropriate measurement of the tax position.

To illustrate, some uncertain tax positions contain several interpretations of tax law, each of which may be evaluated individually by an independent, qualified tax advisor. Further, many of the interpretations can be inter-dependent upon other interpretations in the overall tax position or may be "probable of being sustained on audit by taxing authorities based solely on the technical merits of the position" on a stand alone basis. In such instances, the ED does not provide guidance on how to apply the initial and subsequent recognition rules when it is determined that three of the interpretations of tax law included in an overall tax position containing five interpretations are probable based solely on the technical merits of the position and two of the interpretations are determined to be more likely than not of being sustained on audit based solely on the technical merits of the position. In situations where inter-dependent interpretations exist and one is deemed more likely than not (versus probable), then the accounting can be simple since the entire set of inter-dependent interpretations would probably not qualify as probable. However, in instances where a stand-alone portion of an uncertain tax position, or the inter-dependent interpretations as a group, meet the probable criteria but other interpretations do not, the accounting can be very complex when attempting to apply the ED as written.

Although we note the example beginning at paragraph A2 of the ED under the Unit of Account and the Two-Step Process section of Appendix A attempts to illustrate the application of the unit of account concept, because of the importance and complexity of the unit of account concept, we believe its explanation should not be relegated to an example in the Appendix of the interpretation. Therefore, we recommend the final interpretation provide guidance on determining the appropriate unit of account in complex, multiple unit of account situations and that guidance should be reconciled with the initial recognition and measurement guidance in the final interpretation.

Subsequent Recognition - Issue 4

We have no comments on the proposed subsequent recognition guidance.

Derecognition - Issue 5

We believe the proscription in the ED against recognizing a valuation allowance to reduce a deferred tax asset in the period in which it becomes more likely than not that the tax position would not be sustained on audit, should be removed. Although we

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understand the technical basis for the proscription, we believe the benefits of allowing the use of a valuation allowance for both financial statement preparers and users outweigh the benefit of technical purity.

The derecognition of deferred tax assets previously recorded requires the development of new processes to track such assets outside of the normal deferred tax accounting process. A separate tracking process increases the chances for error and further complicates an already complicated procedure. By allowing the reduction of recognized assets by use of a valuation allowance, all information regarding deferred tax assets that could affect future periods will continue to be included in the income tax footnote, which also has the added benefit of satisfying the disclosure requirements discussed in the ED.

Measurement - Issue 6

We have no comments on the proposed measurement guidance except those comments noted under the **Initial Recognition** section above.

Classification - Issue 7

We have no comments on the proposed classification guidance.

Change in Judgment – Issue 8

We have no comments on the proposed change in judgment guidance.

Interest and Penalties - Issue 9

We believe paragraph 17 as currently written is confusing; in particular, the guidance for the recognition of penalties on uncertain tax provision. As the wording currently stands, an entity that previously made a good faith interpretation of tax law in which it asserted a tax position in a tax return previously filed met the minimum statutory threshold to avoid payment of penalties, would appear to be required to restate previously filed financial statements if management subsequently determines the tax position does not meet the minimum statutory threshold. Given the large number of tax laws, and therefore the large number of interpretations, affecting an entity's annual tax filings, the avoidance of penalties in all cases cannot be assured. Given this, we believe the wording in paragraph 17 of the interpretation should be modified to consider when such circumstances occur. Enterprises should be allowed to record penalties in the period in which an entity determines a tax position no longer meets the statutory threshold to avoid payment of penalties.

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In an unrelated issue, the current ED does not provide guidance as to the classification of interest amounts recorded on uncertain tax positions. We believe the final interpretation should include classification guidance to ensure consistency among financial statement preparers.

Disclosures – Issue 10

We have no comments on the proposed disclosures.

Effective Date and Transition - Issue 11

We believe the effective date as proposed in the ED will not allow enough time for application of the interpretation to an enterprise's tax positions throughout the world. Kodak, like many other multinational entities, has operations throughout the world involving hundreds of taxing jurisdictions. It would be virtually impossible for the Company to prepare a complete analysis of its material uncertain tax positions throughout the world for compliance with the final interpretation in the fourth quarter of 2005. The completion of such an analysis is further complicated by Kodak's obligations under the Sarbanes-Oxley Act. Because of these difficulties, we strongly recommend the implementation of the interpretation be delayed until the first reporting period ended after June 15, 2006.

We hope the above comments are useful. Please feel free to contact either myself at (585) 724-4921, Eric Samuels at (585) 724-9025 or Robert Hilbert at (585) 724-1978 if you would like to discuss these items.

Sincerely,

Eastman Kodak Company

Richard G. Brown, Jr.
Corporate Controller