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Letter of Comment No: 4360
File Reference: 1102-100

Ms. Suzanne Bielstein
Director of Major Projects
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

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Dear Ms. Bielstein:

Colgate-Palmolive appreciates the opportunity to respond to the Proposed Statement of Financial Accounting Standards, *Share-Based Payment, an amendment of FASB Statement No. 123 and 95*. While we agree that stock options are a form of compensation, we believe disclosure of the potential future dilution, including a sensitivity analysis thereon, would be preferable to the proposed accounting. The inability to accurately project future stock prices and option costs combined with the inability to adjust those projections to actual costs will, we believe, impair rather than improve the credibility and usefulness of financial statements.

If the Board decides that equity based compensation be recognized in the financial statements, we believe the comments below would improve the overall practicability of the proposed statement.

Income Taxes

We do not agree with the proposed method of accounting for income taxes that requires a charge to earnings when the realized tax benefit of an award is less than the amount of the previously recognized deferred tax asset. This proposal has the potential to create unexpected volatility in effective tax rates, as tax benefit shortfalls will increase tax expense when they are written off. Since the Exposure Draft does not allow companies to true-up compensation expense and pretax income for the actual benefit realized by the employee upon exercise for changes in the stock price between grant and exercise, it is inconsistent that changes in the stock price are recognized in earnings through the tax provision.

We believe the tax benefit recognized in the income statement should be based on the compensation cost recognized in the income statement and any difference between the deferred tax assets recognized and the eventual tax benefit received by companies should be recognized as an adjustment to additional paid in capital, regardless of whether the difference is an excess or a shortfall. This approach provides symmetry between the treatment of excess tax benefits and shortfalls and reduces the administrative cost imposed in implementing the proposed standard, as preparers would not be required to separately track deferred tax assets at the individual employee level for each share-based award. However, we believe that if tax shortfalls are to be charged to earnings, incremental tax benefits should also be credited to earnings.

Cash Flows

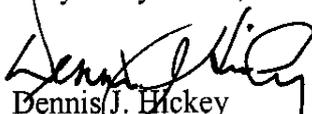
We believe that excess tax benefits result in a reduction of taxes that would otherwise have been paid and do not agree with reflecting those excess tax benefits as financing cash inflows. Accordingly, we continue to support the consensus reached by the EITF in Issue 00-15 *Classification in the Statement of Cash Flows of the Income Tax Benefit received by A Company upon Exercise of a Non Qualified Employee Stock Option*. EITF 00-15 concluded that the reduction of income taxes paid as a result of the deduction triggered by employee exercise of stock options should be classified as an operating cash flow. The Task Force noted that this consensus is consistent with the requirement of Statement 95 to present income taxes paid as an operating cash flow under the direct method.

Transition

The inability to restate prior years will result in a lack of comparability and will further promote the use of pro-forma disclosures. We agree with the Board's recent proposal that US GAAP should converge with international GAAP and require restatement whenever possible. At a minimum, in an effort to provide for greater consistency and trend analysis, we believe that companies should be permitted to restate previously issued financial statements if they so choose.

We appreciate the opportunity to express our views on this proposal. If you have any questions, please do not hesitate to contact me at (212) 310-2636.

Very Truly Yours,



Dennis J. Hickey

Vice President and Corporate Controller