Letter of Comment No: | | File Reference: FSPFAS109

December 1, 2004

Mr. Lawrence Smith, CPA
Director, Technical Application & Implementation Activities
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: Proposed FASB Staff Position (FSP) Financial Accounting Standard (FAS) 109-a, Application of FASB Statement No. 109, Accounting for Income Taxes, for the Tax Deduction Provided to U.S.-Based Manufacturers by the American Jobs Creation Act (the Act) of 2004

Dear Mr. Smith:

One of the objectives that the Council of the American Institute of Certified Public Accountants (AICPA) established for the PCPS Executive Committee is to act as an advocate for all local and regional firms and represent those firms' interests on professional issues, primarily through the Technical Issues Committee (TIC). This communication is in accordance with that objective. These comments, however, do not necessarily reflect the positions of the AICPA.

TIC has reviewed the above-referenced proposal and is providing the following comments for your consideration.

TIC agrees that the tax deduction provided to U.S.-based manufacturers by the Act should be accounted for as a special deduction under FAS 109 rather than as a tax rate reduction. TIC also appreciates the number of illustrative examples provided in the Proposed FSP.

TIC recommends, however, that the assumed facts in the examples be modified to more closely reflect actual U.S. graduated tax rates. Designing the examples in this manner and using marginal rates in each example would create a more realistic result that would improve the clarity of the FSP. TIC also suggests that each example include a brief introductory statement that describes what the illustration is intending to convey.

TIC appreciates the opportunity to present these comments on behalf of PCPS member firms. We would be pleased to discuss our comments with you at your convenience.

Sincerely,

Stephen M. McEachern, Chair PCPS Technical Issues Committee

cc: PCPS Executive and Technical Issues Committees