



LETTER OF COMMENT NO. 245



January 10, 2007

Mr. Robert H. Herz  
Chairman  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

Dear Mr. Herz:

I am writing on behalf of the Committee on Taxation ("COT") of Financial Executives International ("FEI") to urge a delay in the effective date of FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48").

FEI is a professional association representing the interests of more than 15,000 CFOs, treasurers, controllers, tax directors, and other senior financial executives from over 8,000 major companies throughout the United States and Canada. FEI represents both the providers and users of financial information. The Tax Committee formulates tax policy for FEI in line with the views of the membership. This letter represents only the views of the Tax Committee.

FIN 48 prescribes a comprehensive model for how a company should recognize, measure, present, and disclose in its financial statements uncertain tax positions that the company has taken or expects to take on a tax return. FIN 48 is applicable to all uncertain tax positions accounted for under FASB Statement 109, *Accounting for Income Taxes* ("FAS 109").

FIN 48 is required to be adopted by companies for fiscal years that begin on or after December 15, 2006. Accordingly, calendar-year companies will adopt FIN 48 in the first quarter of 2007. Companies are required to identify all significant income tax exposures existing as of the adoption date for all tax years still subject to assessment or challenge by the relevant tax authorities.

The COT supports the Financial Accounting Standard Board's ("Board") effort to address the significant diversity in practice in this area and to provide preparers and auditors with guidance in this difficult and ambiguous area. However, because FIN 48 represents a significant shift in the accounting and reporting model for income taxes, we share the concerns raised by other organizations and associations about the ability of companies and their auditors to effectively implement FIN 48 within the limited timeframe and guidance provided.

FIN 48 was issued on July 13, 2006, less than six months before the effective date, and significant changes were made to the Exposure Draft with respect to recognition, measurement, and disclosure near the end of the Board's deliberative process. For example, the requirement to provide a tabular disclosure with respect to uncertain tax positions was approved by the Board, but the specifics were not provided as to the requirements until FIN 48 was released.

In addition, as can be expected with any significant new guidance, a number of challenging implementation issues have been identified as companies, advisors, and auditors have been developing their respective implementation processes. For example, there have been implementation issues regarding the proper approach for recognition and measurement with respect to temporary differences; how the concept of widely understood administrative practice and precedent should be interpreted, especially in the international and state jurisdictions; the required level and type of documentation for highly certain as well as uncertain tax positions; the determination of materiality; and the FIN 48 disclosure requirements.

Many of these and other implementation issues are currently unsettled. As a result, concerns have been raised that FIN 48 is being inconsistently implemented with widely varying degrees of work and levels of documentation being required by different attest firms and even by different offices within the same firms. Recent statements by FASB staff have not yet effectively influenced attest firms' inconsistent interpretations of FIN 48 requirements.

For the reasons stated above and in light of the fact that the Board's stated reason for issuing FIN 48 was to address diversity of practice with respect to uncertain tax positions, we strongly recommend that the Board delay the effective date of FIN 48 for one year (to fiscal years beginning after December 15, 2007). This will allow time to develop consistent documentation and disclosure requirements and to more fully address the emerging implementation issues.

We appreciate your consideration of our views on this important financial reporting issue. We would be pleased to discuss this issue in more detail with you or your staff. Please do not hesitate to contact Mark Prysock, General Counsel, FEI, at (202) 626-7804.

Very truly yours,

/signed/

David A. Heywood  
Chairman  
FEI Committee on Taxation

cc: Mr. George Batavick  
Mr. G. Michael Crooch  
Mr. Thomas Linsmeier  
Ms. Leslie Seidman  
Mr. Edward Trott  
Mr. Donald Young