



Dauby O'Connor & Zaleski, LLC

A Limited Liability Company
Certified Public Accountants

June 14, 2013

Sent via email

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116
director@fasb.org

Re: Project: EITF-13B Investments-Equity Method and Joint Ventures (Topic 323) -
Accounting for Investments in Qualified Affordable Housing Projects

Dear Technical Director:

Thank you for the opportunity to comment on the FASB's proposal to provide guidance on accounting for investments in affordable housing projects that qualify for the low income housing tax credit.

Dauby O'Connor & Zaleski, LLC (DOZ) was established in 1987 and during 2012 celebrated its 25 year anniversary. DOZ provides accounting, consulting, and tax services to owners and managers of affordable housing communities. Our clients include for profit and not-for-profit owners, syndicators, investors, sponsors, developers, and managers of affordable housing communities, and are located throughout the country, encompassing 46 states. DOZ provides professional services to over 1,000 entities that own affordable housing communities financed in part with low income housing tax credits and over 100 syndicated funds which have invested approximately \$2 billion in 700 operating entities.

It is our belief the current accounting raises concerns among potential investors, impacting their decision to invest in low income housing tax credits. We agree that the proposed change to the effective yield method is an appropriate method of accounting, whereby investors report the costs, along with the tax benefits, on the tax line. The key principal we support is the change to present tax credit expenses or amortization costs related to such investments in the same place on financial statements as the tax benefits.

We support two amendments to the proposed Update: 1) we believe investors should be allowed to utilize a ratable amortization method; and 2) we believe item aa of 323-740-25-1 should be changed to read "The investor retains **substantially** no operational influence over the investment other than protective rights..." (emphasis added).

We believe the proposed Update with slight amendments will be an improvement in the accounting as it will make these investments more understandable to the investment community.

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Question 1: *Do you agree that an entity should meet the conditions in this proposed Update in order to elect to account for the investment in a qualified affordable housing project using the effective yield method? If not, please explain why.*

We for the most part agree an entity should meet the conditions in the proposed Update in order to elect to account for the investment in a qualified affordable housing project using the effective yield method. We recommend item aa of 323-740-25-1 be changed to read "The investor retains **substantially** no operational influence over the investment other than protective rights..." (emphasis added).

Question 2: *Do you agree that the effective yield method is an appropriate method to account for investments in qualified affordable housing projects? If not, what method of accounting should be used? Please explain.*

We agree that the effective yield method is an appropriate method to account for investments in qualified affordable housing projects. In addition, we feel the investor should be allowed to utilize a ratable amortization method.

Question 3: *Do you believe that removal of the requirement for guaranteed tax credits should change the method used to account for such investments from an effective yield method to an approach where the cost of investment is amortized in proportion to tax credits and other tax benefits received and recognized as a component of income taxes attributable to continuing operations?*

We do not believe that the removal of the requirement for guaranteed tax credits should change the method used to account for such investments from an effective yield method. If the investor meets the requirements in the Update (namely, it is probable that the tax credits allocable to the investor will be available), then the effective yield method or ratable amortization method should be permitted. The low income housing tax credit program has a 27 year history with instances of foreclosure at less than 1%.

Question 4: *Do other types of investments made primarily for the purpose of receiving tax credits meet the conditions in this proposed Update for an entity to elect to account for the investments using the effective yield method? If so, please describe them.*

DOZ concentrates in affordable housing and has specific experience with the low income housing tax credit program. We support the FASB's proposed Update as it pertains to affordable housing and the low income housing tax credit but acknowledge other types of investments are made primarily for the purpose of receiving tax credits. We recommend the FASB take up another project in the near future to discuss similar changes for investments such as new market tax credits, historic tax credits, and renewable energy credits which could benefit from the ability to elect to account for the investments using the effective yield method and/or a ratable amortization method.

Question 5: *Should the guidance in this proposed Update extend the effective yield method of accounting to other types of investments for which the economic benefits are realized primarily as a result of tax credits and other tax benefits? Please explain.*

We believe guidance should exist that extends the effective yield method and/or a ratable amortization method of accounting to other types of investments for which the economic benefits are realized primarily as a result of tax credits and other tax benefits. See answer to Question 4.

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Question 6: *Do you agree that the amendments in this proposed Update should prescribe recurring disclosure objectives that would enable users of financial statements to understand the nature of investments in qualified affordable housing projects and the effect of the measurement of that investment and the related tax credits on the financial position and results of operations of the reporting entity? Alternatively, should the proposed amendments include minimum required disclosures?*

We agree that the amendments in the proposed Update should prescribe recurring disclosure objectives that would enable users of financial statements to understand the nature of investments in qualified affordable housing projects and the effect of the measurement of that investment and the related tax credits on the financial position and results of operations of the reporting entity.

Question 7: *Do you agree that the amendments in this proposed Update should be applied using a retrospective approach? If not, please explain why.*

We agree that the amendments in the proposed Update should be applied using a retrospective approach.

Question 8: *Do you agree that early adoption of the proposed amendments should be permitted? If not, please explain why.*

We agree that early adoption of the proposed amendments should be permitted.

Question 9: *The amendments in this proposed Update would apply to public and nonpublic entities. Should the proposed amendments be different for nonpublic entities? If so, please describe how and why you think they should be different.*

We do not believe the amendments in the proposed Update should be different for nonpublic entities.

Question 10: *For preparers, how much effort would be needed to implement the proposed amendments?*

We do not believe a significant amount of effort would be needed from preparers to implement the proposed amendments.

We appreciate the opportunity to provide comments on the FASB's proposal and your further consideration of the proposed accounting changes.

Sincerely,



Sean O'Connor
Member