Comerica Bank

**Comerica Incorporated**

Comerica Bank Tower
1717 Main Street, MC 6500
Dallas, Texas 75201
(214) 462-6684

**Muneera S. Carr**
Executive Vice President and
Chief Accounting Officer

VIA ELECTRONIC MAIL (**director@fasb.org**)

June 17th, 2013

Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116
Attention: Ms. Susan Cosper, Technical Director

**Re: File Reference No. EITF-13B: Exposure Draft of Proposed Accounting Standards Update – *Investments–Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects***

Dear Ms. Cosper:

Comerica Incorporated, ("Comerica" or "we") appreciates the opportunity to comment on the Financial Accounting Standards Board's (the "Board") Exposure Draft of a Proposed Accounting Standards Update – *Investments – Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Qualified Affordable Housing Projects*, dated April 17, 2013 (the "Exposure Draft"). Comerica is a financial services company headquartered in Dallas, Texas. As of March 31, 2013, we are among the 50 largest U.S banking companies, with total assets of approximately \$65 billion, total deposits of approximately \$52 billion, total loans of approximately \$45 billion, and total shareholders' equity of approximately \$7 billion. Comerica holds ownership interests in funds that invest in affordable housing projects in exchange for Low Income Housing Tax Credits ("LIHTC") and also is a limited liability investor in community development projects that generate similar tax credits to investors. As of March 31, 2013 the total carrying value of Comerica's investments and unfunded commitments for future investments was approximately \$371 million.

Comerica appreciates the Board's efforts to continuously improve accounting standards and generally supports the Exposure Draft's proposed modifications to the conditions listed in ASC 323-740-25-1 which will allow for broader use of the effective yield method of accounting for qualified LIHTC investments. However, we believe that the presentation of the results of investments in LIHTC and the method of amortization of these investments are two linked yet distinct considerations. As noted in the Exposure draft, investors primarily invest in LIHTC investments to generate tax credits and other tax attributes and not to seek returns from the operations of the investment. To the extent the principal risk related to compliance with tax code requirements is satisfied and the tax credits are available to the investor, we believe that net presentation of the results of investments in LIHTC as a component of income taxes is a far better reflection of the economics of these investments and will help users better understand the motivations and impact of such investments on the financial statements of the investing entity.

The Exposure Draft, as well as existing guidance, includes criteria used to determine the method of amortization. The determined method of amortization is then used as the basis for its presentation. We believe it is more appropriate to use the proposed criteria as the basis for presentation, such that for investments that meet the criteria entities can present amortization as a component of income taxes. Separately, the appropriate method of amortization should be based on the underlying economics of the investment. Therefore, we recommend the Board de-link the presentation from the amortization method to provide for net presentation when other reasonable methods of amortization are employed, such as a rate of investment utilization proportionate to the generation of tax benefits. However, the Board may choose to consider this as part of a future project. In the interim, we believe the propose guidance will indirectly broaden the availability of net presentation to LIHTC investments and are supportive of the improvements proposed in the Exposure Draft.

We agree with the Board that the current accounting guidance which requires tax credits to be guaranteed by a creditworthy entity in order to qualify for the effective yield method and, as a result, net presentation, is too restrictive and results in a lack of comparability as similar investments with similar economic results qualify for different methods of accounting as this criteria is applied. Broadening the scope of investments that meet the criteria to be in a single accounting and presentation model will improve the comparability and usefulness of the information provided to users of the financial statements by making it easier to understand the impact of these types of investments on the overall performance of the entity.

We are supportive of eliminating the requirement of a tax credit guarantee because, in our experience, lifetime performance of qualified developments and their management have protected investors well, reducing the need for investors to seek such guarantees. Comerica and many other investors are willing to invest with a very high level of confidence even though tax credit guarantees are not commonly offered in the market. We believe that requiring tax credits to be guaranteed under existing guidance no longer reflects the economics in the marketplace. As a result, the use of the effective yield method of accounting for LIHTC investments has been limited to a few entities (primarily syndicators) that hold large portfolios of LIHTC investments, while the majority of entities with smaller portfolios are typically required to account for these investments using the equity or cost method under ASC 970-323. By removing the tax credit guarantee criterion, the Exposure Draft will improve comparability among entities as more investments will meet the newly proposed criteria resulting in a more consistent presentation.

We encourage the Board continue with this project as it represents an improvement to existing accounting guidance and look forward to the issuance of the final accounting standard update.

**Specific Observations**

The following represent observations on specific items of the Exposure Draft for the Board’s consideration:

***Evaluation of Criteria and Accounting Policy Election***

Comerica supports that the use of the effective yield method of accounting (provided the necessary conditions are met) should continue to be an accounting policy election. Additionally, we recommend that the Board include guidance explicitly stating that entities are only required to evaluate the conditions to qualify for the effective yield method at inception. The only exception requiring subsequent reevaluation should be in the event of significant legal changes to the investment agreement than may cause an investment to no longer meet the criteria.

***Disclosure Requirements***

Comerica agrees with the Board that entities should provide relevant disclosures to help users of the financial statements better comprehend the results of LIHTC and other tax credit investments. As with any disclosure requirement, entities must exercise professional judgment to determine the nature and extent of disclosures by evaluating factors such as materiality and relevance, along with the costs and benefits of the disclosure requirements. We are concerned that imposing minimum required disclosures as part of the final guidance will only contribute to the current continuing trend of disclosure overload. Therefore, we agree with the disclosure requirements as proposed in the Exposure Draft and would not be supportive of minimum disclosure requirements.

**Additional Recommendations**

The following are additional recommendations which the Board may want to consider, but which should not preclude the Board from finalizing the current project:

***Amortization Proportionate to the Tax Benefits Received***

Comerica generally agrees with the views presented in paragraph 12 of the Basis for Conclusions. We would be supportive of accounting guidance that would allow investments that meet the same criteria proposed under paragraph 323-740-25-1of the Exposure Draft to use a cost-based amortization approach and recognize investment amortization as a component of income taxes. While there are merits to utilizing the effective yield method, we believe a method where the cost basis of investments is amortized in proportion to tax credits and other tax benefits received upholds the matching principle, is less complex (and therefore, easier for financial statement users to understand) than the effective yield method.

***Other Investments with Similar Tax-Credit Economics***

The current scope of the Exposure Draft is limited to LIHTC investments. Comerica encourages the Board to consider expanding the scope of this guidance to other types of tax-credit investments that are similar in nature and that otherwise meet the criteria under paragraph 323-740-25-1. This requires that the Board adequately defines tax credit investments. We believe such definition should include investments where the economics are such that investors seek the majority of their return through the receipt of tax credits and other tax benefits. Based on that definition, all investments that are considered tax credit investments should be included in the scope of investments eligible to be evaluated against the criteria for the effective yield method of accounting (or, alternatively for presenting investment amortization as a component of income taxes).

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We thank you for the opportunity to express our support, along with some concerns and recommendations regarding this proposal, and we respectfully request that the Board consider the points we have raised. Should you require further information or have any questions, please do not hesitate to contact me (telephone 214-462-6684; email address mscarr@comerica.com) or Mauricio Ortiz, Vice President - Accounting Policy (telephone 214-462-6757; email address maortiz@comerica.com).

Sincerely,

Muneera S. Carr
Executive Vice President and Chief Accounting Officer

cc: Karen Parkhill, Vice Chairman and Chief Financial Officer
Mauricio Ortiz, Vice President - Accounting Policy