

June 17, 2009

Technical Director Financial Accounting Standards Board 401 Merritt 7 P.O. Box 5116 Norwalk, CT 06856-5116

Via E-mail to <u>director@fasb.org</u>

Audit • Tax • Advisory

Grant Thornton LLP 175 W Jackson Boulevard, 20th Floor Chicago, IL 60604-2687

T 312.856.0200 F 312 565 4719 www.GrantThornton.com

Re: Proposed FSP FIN 48-d

Grant Thornton LLP appreciates the opportunity to comment on the proposed FASB Staff Position (FSP) FIN 48-d, "Application Guidance for Pass-through Entities and Tax-Exempt Not-for-Profit Entities and Disclosure Modifications for Nonpublic Entities."

We support the Board's effort to provide guidance on applying FASB Interpretation 48, *Accounting for Uncertainty in Income Taxes*, to pass-through entities and tax-exempt not-for-profit entities. Although we support the disclosure modifications for nonpublic entities, we believe that those entities should additionally be required to disclose the total amount of unrecognized tax benefits at the end of each annual reporting period presented.

Question 1

This proposed FSP has taken a principles-based approach to provide guidance on the application of Interpretation 48 to pass-through entities and tax-exempt not-for-profit entities. Will the guidance enable those entities to properly apply Interpretation 48? If not, how should the guidance be improved?

Yes. We believe the principles-based approach taken in this proposed FSP will help enable users to properly apply Interpretation 48. However, we think amplification of the example in paragraph 26(c) would be helpful in applying the final FSP. The fact pattern of that example does not address whether the owners may file a return within the jurisdiction. We think clarity of the application of the principle would be enhanced if the example addressed the impact, if any, of situations in which the owners would not be allowed to file a return.

Question 2

Paragraph 8 of this proposed FSP identifies four issues related to questions about the implementation of Interpretation 48 for pass-through entities and tax-exempt not-for-profit entities. The Board decided not to provide guidance on whether or not a tax is an income tax because that issue applies to many types of entities and goes beyond the scope of the current project. Do you agree with the Board's decision? If not, why not? Are there issues other than those identified in paragraph 8 that the Board should address? If so, please identify those issues and provide suggested guidance. Are there



any issues that should not be included? If so, please identify those issues and explain your reasoning.

While we appreciate that the issue of whether a tax is an income tax is a broad issue that applies to *all* entities, we believe defining the term *income taxes* along with examples would assist in the overall objective of providing application guidance of FASB Interpretation 48 to pass-through and tax-exempt not-for-profit entities. Although we believe that there may be a general consensus among some constituents as to what constitutes an income tax, we do not believe that the related concepts are universally understood. As a result, there continues to be confusion whenever a taxing jurisdiction adapts a nontraditional tax regime as to whether the tax should be accounted for as an income tax. If not addressed in this FSP, we believe that this issue needs to be ultimately resolved in any future amendment to Statement 109, *Accounting for Income Taxes*, related to IFRS convergence. We believe that the recent Exposure Draft, *Income Tax* (ED/2009/2) issued by the IASB articulates critical concepts to be used in evaluating whether a tax should be accounted for as an income tax, which should be considered in developing any definition.

We do not believe that there are issues, other than those identified in paragraph 8, that the Board should address.

The proposed FSP would modify the disclosure requirements of Interpretation 48 for nonpublic entities, including nonpublic not-for-profit entities, to eliminate the disclosures required by paragraphs 21(a) and 21(b) of that Interpretation. Do you agree with the proposed modifications to the disclosure requirements? If not, why not?

Yes. We believe the suggested modifications to the disclosure requirements are appropriate for nonpublic entities. However, we believe that if the tabular reconciliation requirement included in paragraph 21(a) is eliminated, then nonpublic companies should be required to disclose the total amount of unrecognized tax benefits at the end of each annual reporting period presented.

We would be pleased to discuss our comments with you. If you have any questions, please contact L. Charles Evans Partner, Accounting Principles Consulting Group, at 832.476.3614.

Sincerely,

/s/ Grant Thornton LLP