To the Technical Director:

This commenter has read the Revised Proposed Accounting Standards Update – Income Taxes (Topic 740) on the F.A.S.B. Disclosure Framework, “Changes to the Disclosure Requirements for Income Taxes”. This commenter also believes (in view of) the “Tax Cuts and Jobs Act” (P.L. 115 – 97) of 2017 is an important set of rules and calls for possible changes in the disclosure rules for G.A.A.P. financial statements. Commenter has also read the list of questions in the ASU cited above, greatly appreciates the opportunity to comment, and requests review of the foregoing responses to documented questions:

Question 1: Would the amendments in this proposed Update that add or modify disclosure requirements result in more effective, decision-useful information about income taxes? Please explain why or why not. Would the proposed amendments result in the elimination of decision-useful information about income taxes? If yes, please explain why.

Commenter Response: It is not absolutely clear from the proposed Update whether the new disclosures are required for the discussion and notes in the financial statement or intended for presentation on the face of the financial statements. This commenter is in agreement there is a need for effective and representationally faithful disclosures, and decision – useful information in the financial statements for items that are significant and material, e.g., in what concerns future benefits and future costs and sources and uses of cash for any public entity. Commenter proposes by this writing that for public entities that are commercially and economically successful, taxes are a consideration but a secondary consideration to the overall financial condition of the entity and then then status of working capital for the public entity itself. Commenter believes that to include items as directed by this proposed Update could distort the actual material matters before financial statement reviewers by pinpointing and highlighting tax issues. Tax information is useful for financial purposes, though not always and not on a continuous basis, and including tax computations in a financial statement detracts from the financial and even traditional accounting significance of presentation and disclosure and representational faithfulness that are part of disclosure controls. To simply hold out a valuation allowance to present the financial condition of the entity or part of it weighs on the balance sheet in a fashion that will call undue focus to tax questions that are typically of this nature not material nor recognizably overriding.

Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?
Commenter Response: A better question under the circumstances might address the materiality and risk issues of the proposed Update that might cause an auditor to focus on the, again, proposed items. There are risks in taking various positions on financial statements that have to do with each and every assertion – some assertions are typically low – risk and others encompass more risk of different kinds. A valuation allowance with respect to taxes having a more than five – percent effect on financial statements is significant, and a typical auditor will focus on these disclosures as a rule. Commenter believes nonetheless that the proposed valuation allowance as a rule concerning tax items in the financial statements could be treated as a volume, for example, and not as a computation; and thus the actual expense for taxes by the entity would be distorted. Commenter is in favor of including contingent liabilities in the financial statements and thereby contingent assets that have a probability of occurrence “more likely than not”, and by this including a value commensurate with these items in the financial statements. With the deferral and accrual rules and these items as stated, said valuation allowance might have significance for not – for – profit organizations in the event of income for those entities, so – called UBTI, and its tax treatment, though again for reasons of representational faithfulness and conservatism, the Update as proposed does not conform to these criteria.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

Commenter Response: Commenter agrees with the implication posed by Question 3 that these additional disclosures will cost additional amounts to any entity including them in its financial statements. Having a proper determination and treatment and then disclosures according to the new rules might result for example in more legal, internal audit and accounting, and tax dispute resolution costs, etc., though this amount for this commenter is undetermined.

Question 4: One of the proposed amendments would require entities to disclose pretax income (or loss) from continuing operations before intra-entity eliminations disaggregated between domestic and foreign, which initial feedback indicated would reduce diversity in practice. Would this proposed amendment be operable? Should the Board specify whether the disclosed amounts should be before or after intra-entity eliminations? Why or why not?

Commenter Response: This appears to be a question for transactions or ordinarily consolidated financial statements, and this commenter is not for disclosing “intra – entity eliminations” due to signaling and proxies for signaling to stakeholders as to how the entity conducts transactions and tax treatment and the way the capital structure of the entity is prioritized. These the commenter believes are proprietary to the entity and have no direct bearing on the ordinary financial condition of an entity as presented in financial statements, the public citizenry of the entity, nor really of the way the entity’s securities are valued. Linking such “intra – entity eliminations” to tax liabilities, even benefits, and then to sectoral considerations makes for tax expertise and a demonstration of it, treats the entity with bias as a “vehicle” versus a publicly – traded enterprise with future benefits and costs, that produces a product or service, as economically sound and from a financial and accounting standpoint as presented by the statement of financial condition and remaining financial statements.
Question 5: Would a proposed amendment to require disaggregation of income tax expense (or benefit) from continuing operations by major tax jurisdiction be operable? Would such a proposed amendment result in decision-useful information about income taxes? Why or why not?

Commenter Response: Sectoral disclosures concerning taxation are probably for the notes to the financial statements, for sake of materiality and conservatism, and other considerations. If material, disaggregation of foreign tax expense and then U.S. tax expense as presented might be of interest enough to include in the management discussion and analysis or preamble to the financial statements. This commenter believes overall in the currently appropriate emphasis in G.A.A.P. financial statements on financial position (and stockholders’ equity) and results of operations, and cash flows as clear and distinct from the tax attributes, regimes, priorities and criteria of its tax considerations.

Question 6: The proposed amendments would modify the existing rate reconciliation requirement for public business entities to be consistent with SEC Regulation S-X 210.4-08(h). That regulation requires separate disclosure for any reconciling item that amounts to more than 5 percent of the amount computed by multiplying the income before tax by the applicable statutory federal income tax rate. Should the Board consider a threshold that is different than 5 percent? If so, please recommend a different threshold and give the basis for your recommendation.

Commenter Response: The requirement for consistency with the cited SEC Regulation has value for disclosures in the notes to the financial statements for, again, stakeholders and financial statement readers who view the entity as a “vehicle” along with an emphasis on tax advantages, attributes and liabilities. Reconciling items to the tax report should remain in the domain of government bookkeeping for the tax report itself. There is some evidence that making known the balance sheet and other reconciling items, tax preference items and the like, have informational value, though this should remain internal to the entity in view of complexities of any interpretation of reconciling items normally only significant as actual computations by managers and auditors.

Question 7: Are there any other disclosures that should be required by Topic 740 on the basis of the concepts in Chapter 8 of Concepts Statement 8, as a result of the Tax Cuts and Jobs Act, or for other reasons? Please explain why.

Commenter Response: This commenter believes primarily in the disclosures related to and that highlight the overall financial status of the organization for purposes of G.A.A.P. from a financial point of view and that do not attempt to capture the tax benefits and obligations nor the tax attributes of a successful organization given the purposes of the financial reports and the separate and secondary intentions and purposes of the (again separate) tax report(s). This includes disclosure of material benefits and burdens and costs and flows in the course of the economic activities of the organization.

Question 8: Are there any disclosure requirements that should be removed on the basis of the concepts in Chapter 8, as a result of the Tax Cuts and Jobs Act, or for other reasons? Please explain why.
Commen
ter Response: This commenter believes there should be accrued and deferred items and tax costs recorded only for the financial statements under G.A.A.P.. For reasons previously stated, and given conservatism consideration among others, the current proposed Update detracts from the financial domain of the financial statements of the public or publicly traded organization and the purpose of these statements even in the interim to present financial results of its commercial and economic activities.

Question 9: The proposed amendments would replace the term public entity in Topic 740 with the term public business entity as defined in the Master Glossary of the Codification. Do you agree with the change in scope? If not, please describe why.

Commenter Response: This commenter disagrees with the change or modification in the nomenclature given the term “public business” clouds the definition of private business – publicly traded, for example, of entities under these proposed rules. The change imparts to the entity an administrative or partisan partnership with entities or programs that are governmental in nature or that are not – for – profit and governmental at the same time.

Question 10: Should the proposed disclosures be required only for the reporting year in which the requirements are effective and thereafter or should prior periods be restated in the year in which the requirements are effective? Please explain why.

Commenter Response: Commenter does not know the outcome of the rules proposal and reserves the right to comment on this matter at a future date when rulemaking outcomes are known. The effective dates for this proposed Update should otherwise be carefully considered by the F.A.S.B. and its associated organizations.

Question 11: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? Please explain why.

Commenter Response: Commenter does not know the outcome of the rules proposal and reserves the right to comment on this matter at a future date when regulatory and other rulemaking outcomes are known. The effective dates for this proposed Update and possible dates for early adoption should otherwise be carefully considered by the F.A.S.B. and its associated organizations.

By,