September 30, 2016

Ms. Susan M. Cosper, Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via Email to director@fasb.org
Re: File reference number 2016-270

Dear Ms. Cosper:

Smith & Howard PC appreciates the opportunity to comment on the Proposed Accounting Standards Update (ASU) Income Taxes (Topic 740) Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes. We support the Board’s objective to improve the effectiveness of disclosures in the notes to financial statements. However we believe the proposed additional disclosures do not add significant value for users of the financial statements of privately held companies, particularly “middle market” and smaller companies, but will add additional cost.

The proposal states that users expressed a desire for additional information related to income taxes and that the Board’s proposal implements changes that would provide such information at a moderate cost to an entity. As noted by the Board, an entity’s decision to omit immaterial disclosures may reduce the entity’s total cost of complying with the disclosure requirements, however in certain cases there may be costs incurred to assess whether a disclosure is immaterial.

While the additional disclosures that would be required by the Board’s proposal appear appropriate for the users of a public business entity’s financial statements, we have not seen any indications of demand for this information from the users of privately owned companies. Specifically, as the most common external users of privately owned companies which we work with are financial institutions and private equity investors/debt holders, if this information was desired by users of private company financial statements we would expect the covenants written into various debt agreements to require privately owned companies to provide a break out of income and tax expense by foreign and domestic and the other disclosure items included in the proposal. We have not seen this information requested. Additionally, in our discussions with users of our clients’ financial statements, we have not encountered any demand for this information.
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As such, we do not believe the additional disclosure information required by the proposed ASU justifies the additional costs to be incurred by privately held entities.

The appendix below contains our responses to the proposed ASU’s questions for respondents.

Yours truly,

Smith & Howard

Smith & Howard PC
Appendix A

Responses to Questions for Respondents

Question 1: Would the proposed amendments 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.

We do not believe the proposed ASU would result in more effective, decision useful information about income taxes for privately held companies, particularly “middle market” and smaller companies. As discussed above, we have not seen demand for this information from the users our privately held clients’ financial statements. Based on experience with our client base, we do not believe that the proposed additional disclosures would necessarily be immaterial to these “middle market” and smaller privately held companies and therefore these entities would be required to incur the related costs to prepare these disclosures even if of negligible value to the users of these entities’ financial statements. We do believe the additional disclosure requirements of the proposed ASU would result in additional useful information for the users of the financial statements of public business entities.

Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

Yes, the proposed disclosure requirements appear operable and auditable.

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

“Description of an enacted change in tax law that is probable to have an effect on the reporting entity in a future period” – We believe this proposed requirement will result in significant incremental costs, particularly for “middle market” and smaller companies, as many of these reporting entities will require the assistance of external lawyers and/or accountants to assess the impact of newly enacted tax law.

We believe the remaining proposed disclosure requirements applicable to all reporting entities would generally result in moderate to potentially significant incremental costs. We do not believe these costs to produce the additional disclosures are justified for privately held companies as we have not seen any evidence of demand for this information by the users of privately held companies’ financial statements.
Question 4: The Board is proposing that reporting entities disclose income taxes paid for any foreign country that is significant to total income taxes paid. The Board also considered requiring disclosure by significant country of income (or loss) from continuing operations before income tax expense (or benefit) and income tax expense (or benefit) from continuing operations but decided that this disclosure would be costly and potentially not beneficial in assessing prospects for cash flows related to income taxes (see paragraph BC22 of this proposed Update). Are there other costs or benefits that the Board should consider regarding these potential disclosures? Are there other country-level disclosures that the Board should consider that may be more cost beneficial?

No additional comments beyond those regarding costs above.

Question 5: The Board considered several disclosures on indefinitely reinvested foreign earnings (see paragraphs BC27–BC40 of this proposed Update). Is there other information that the Board should consider regarding these potential disclosures? Are there other disclosures about indefinitely reinvested foreign earnings that would be more cost beneficial?

No additional comments in response to this question.

Question 6: The proposed amendments would apply to all entities, except for the requirements in paragraphs 740-10-50-5A through 50-6B, 740-10-50-12, and 740-10-50-15A for which entities other than public business entities would be exempt. Do you agree with the exemption for entities other than public business entities? If not, please describe why and which disclosures should be required for entities other than public business entities?

No additional comments beyond those regarding 'other than public business entities' above.

Question 7: Are there any other disclosures that should be required by Topic 740 on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

No additional comments in response to this question.

Question 8: Are there any other disclosure requirements retained following the review of Topic 740 that should be removed on the basis of the proposed Concepts Statement or for other reasons? Please explain why.

No additional comments in response to this question.

Question 9: 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.

No additional comments in response to this question.
Question 10: 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? If the answer is “yes” to either question, please explain why.

No additional comments in response to this question.