September 29, 2016

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

File Reference No. 2016-270

Dear Ms. Cosper:

RSM US LLP is pleased to comment on the Proposed Accounting Standards Update, *Income Taxes (Topic 740), Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes* (the “proposed ASU”). We support the Board’s overall objective of improving the effectiveness of disclosures in the notes to the financial statements. We believe the amendments in the proposed ASU regarding income tax disclosures represent a significant component of achieving that overall objective.

The implementation of any new ASU may, initially, cause entities to incur moderate costs. However, we note that in developing the amendments in this proposed ASU, the Board also considered the proposed amendments in its proposed ASU, *Notes to Financial Statements (Topic 235): Assessing Whether Disclosures Are Material*. Inclusion of the important concepts from that disclosure-related proposed ASU will help reduce the cost and effort involved in implementing the proposed ASU on disclosure requirements for income taxes.

Provided below for your consideration are our responses to the “Questions for Respondents” on which specific comment was requested in the proposed Update.

**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.

Except for the items described in our response to Question 3 below, we believe the proposed amendments result in more effective disclosure of decision-useful information about income taxes. Foreign activities of U.S. companies have grown significantly since the existing standards on income tax disclosures were developed more than two decades ago. Users of both private and public financial statements have indicated a desire for more information about foreign earnings and the tax effects of those foreign earnings. Among other tax-related disclosures, the proposed ASU will require disclosure of certain income and tax information disaggregated between domestic and foreign operations. This information will help financial statement users better understand an entity’s tax exposures in foreign countries and better understand the sustainability of an entity’s tax rate.

We do not believe the proposed amendments result in the elimination of decision-useful information.
**Question 2:** Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

Except for the items described in our response to Question 3 below, we believe the proposed disclosure requirements are 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.

We believe the following proposed amendments would impose incremental costs or complexities greater than their incremental benefit:

- **Issue:** The proposed amendments in paragraphs 740-10-50-6A (for public business entities) and 740-10-50-8A (for entities other than public business entities) require disclosure of state net operating loss carryforwards (not tax effected). See also the proposed amendments to the related example (Example 31) in paragraphs 740-10-55-218 through 222.

  **Comment:** Disclosure of the amounts of deferred tax assets (tax effected) may provide useful information to users. However, for U.S. companies that operate in a significant number of states, the proposed requirement to disclose the amount of state net operating loss carryforwards (not tax effected) may not be meaningful to users. The amount of the net operating loss carryforward available often varies significantly by state. Further, because state effective tax rates vary significantly, the gross amount of state net operating loss carryforwards (not tax effected) will not provide any meaningful relationship to the amount of actual deferred tax asset (tax effected).

- **Issue:** The proposed amendment in paragraph 740-10-50-24 requires disclosure of the aggregate of cash, cash equivalents and marketable securities held by foreign subsidiaries.

  **Comment:** The proposed ASU is silent as to the reasons for, or benefits of, this proposed disclosure. It is not clear how this proposed disclosure would improve a financial statement reader’s understanding of an entity’s income taxes. We understand that excess liquid assets may be an indication of the ability to repatriate previously undistributed foreign earnings; however, it could be a misleading disclosure if the entity intends to continue to reinvest the undistributed foreign earnings. We believe the required disclosures in paragraphs 740-30-50-1 through 3 are more relevant and meaningful to users of the 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?

We do not believe there are additional country-level disclosures that should be required.
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?

We do not believe there is other information that the Board should consider regarding these potential disclosures, nor are there other disclosures about indefinitely reinvested foreign earnings that would be more cost beneficial.

Question 6: The proposed amendments would apply to all entities, except for the requirements in paragraphs 740-10-50-6A 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.

We agree with the exemptions proposed for entities other than public business entities.

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.

We do not believe there are any other disclosures that should be required.

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.

We do not believe there are any other retained disclosures that should be removed.

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.

To reduce the cost and complexity of implementation, we believe the proposed disclosures should be required only for the reporting year in which the requirements are effective and thereafter. While entities should be permitted to provide prior-year information, we do not believe the additional cost and complexity of requiring the proposed disclosures for prior periods is justified by the incremental benefit of the prior-year disclosures.

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.

While many entities, as part of their existing disclosure process, may already routinely gather the information necessary to implement the proposed ASU, other entities may need a modest amount of time to fully understand and comply with the proposed amendments. Therefore, we believe public business entities should be able to adopt the proposed amendments within one year from the date of issuance of an Accounting Standards Update.
Entities other than public business entities often do not have the same deep level of in-house tax expertise as would public business entities. Accordingly, we believe entities other than public business entities should be provided an additional year in which to implement the disclosure requirements of the proposed ASU.

Early adoption should be permitted for all entities.

We appreciate this opportunity to provide feedback on the proposed Update and would be pleased to respond to any questions the Board or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Michael Hoffman at 612.455.9442.

Sincerely,

RSM US LLP