September 30, 2016

Susan M. Cosper  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, Connecticut 06856-5116  

Via email: director@fasb.org  

(Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes  
(the “Proposed Update”).

Dear Ms. Cosper:

This letter is submitted on behalf of UnitedHealth Group, Incorporated (“UnitedHealth Group” or the “Company”), a diversified health and well-being company dedicated to helping people live healthier lives and making the health system work better for everyone. UnitedHealth Group employs more than 200,000 individuals, is a Fortune 10 company with annual expected revenues of $180 billion in 2016, and a market capitalization in excess of $134 billion as of June 30, 2016. We are writing in response to your request for comments regarding the Proposed Update.

Overview

The Financial Accounting Standards Board (“FASB” or the “Board”) is considering the amendments in the Proposed Update as part of the disclosure framework project. The objective and primary focus of the disclosure framework project are to improve the effectiveness of disclosures required by generally accepted accounting principles (“GAAP”) in the notes to financial statements by facilitating clear communication of information that is most important to financial statement users.

UnitedHealth Group supports the efforts of the Board to improve GAAP disclosures. However, the Board should limit additional prescriptive disclosure requirements to a minimum and emphasize a principles-based approach, which is currently applied in practice. Specifically, the proposed standard should not include requirements around: 1) The amount of pretax income (or loss) from continuing operations disaggregated by foreign and domestic amounts; 2) The amount of income tax expense (or benefit) from continuing operations disaggregated by foreign and domestic amounts; 3) the amount of income taxes paid disaggregated by foreign and domestic amounts; and 4) the aggregate of cash, cash equivalents, and marketable securities held by foreign subsidiaries. With respect to SEC registrants, the most critical and beneficial information for investors is already disclosed in public filings through current GAAP requirements and SEC rules around both the financial statements and MD&A. In practice, entities are following a principles-
based approach by applying judgment through the disclosure framework and currently disclosing information that is requested by and most important to investors and users of the financial statements.

Discussion

With respect to SEC registrants, we feel certain of the proposed disclosures will not result in additional decision-useful information for the user, as the most critical information should already be disclosed in public filings under existing rules and regulations. Though some of these requirements would not extend to non-public entities, the addition of burdensome disclosure to non-public entities seems contrary to the Board’s simplification initiatives. Additionally, if the Board believes that non-public entities’ financial statements are more likely to lack certain disclosures, we believe the enhancements should be targeted to those entities through the Private Company Council. In BC 18, the Board noted that “The PIR on Statement 109 indicated that financial statements might not be detailed enough for users to: Analyze the cash effects associated with income taxes, particularly current-period taxes paid by jurisdiction (for example, domestic and foreign), and estimate future tax payments. That information is of particular concern to financial statement users who analyze nonpublic entities.” Therefore, certain of the disclosures should not extend to public entities because public entity disclosures already contain sufficient information for investors and users of financial statements. Specifically, we considered the following for each disclosure noted above:

Income from continuing operations disaggregated between foreign and domestic:

Under SEC Regulation S-X 4.08(h)(1) and (h)(3), SEC registrants are required to disclose the components of income (loss) before income tax expense (benefit) as either domestic or foreign if a component is greater than 5% of income before taxes. The Proposed Standard would result in differing rules with respect to the disclosure requirements between two sets of authoritative literature. This would create an additional discrepancy between GAAP and SEC rules. Therefore, with respect to public entities, the addition of this disclosure requirement to GAAP is not necessary as the SEC already requires a similar disclosure.

Additionally, if foreign operations are identified as a reportable segment for an entity, much of the relevant information would likely be contained within the reportable segments footnote.

Income tax expense disaggregated between foreign and domestic:

An additional disclosure of income tax expense disaggregated between foreign and domestic would not be useful to users of the financial statements. The addition of this disclosure could potentially provide misleading information. The primary purpose of this disclosure would be to give users of the financial statements an ability to relate the domestic and foreign tax provisions to their respective pretax amounts. However, intra-entity transactions could cause diversity in practice and actually create additional confusion related to the disclosure. The FASB does not explicitly state if the disclosures should include intra-entity transactions on a gross or net basis. If intra-entity transactions are presented net of eliminations, an implied income tax rate may not be reflective of the actual tax rate of foreign operations. Additionally, if intra-entity transactions
were presented gross of eliminations, and because certain intra-entity transactions may not be subject to tax, such disclosures could actually create misleading information with respect to an implied income tax rate. A hybrid approach, where only intra-entity transactions subject to tax are included in the calculation could be overly burdensome for preparers of financial statements. The inclusion of this disclosure will result in diversity in practice and thereby not likely provide the most useful information to users of the financial statements.

Additionally, under SEC Regulation S-X 4.08(h)(1) and (h)(3), SEC registrants are required to disclose amounts applicable to United States federal income taxes, foreign income taxes, and other income taxes if a component is greater than 5% of income taxes. The Proposed Standard would result in differing rules with respect to the disclosure requirements between two sets of authoritative literature. This would create additional differences between GAAP and SEC rules. Therefore, with respect to public entities, the addition of this disclosure requirement to GAAP is not necessary as the SEC already requires a similar disclosure which we believe provides users with useful information.

*Income taxes paid disaggregated between foreign and domestic, and for any country that is significant:*

Because income taxes paid do not correspond directly to income or loss from operations, this metric would not be particularly helpful to users of the financial statements. Income taxes paid is based on taxable income, which is different than income from operations. Additionally, the timing of when cash payments are made is often in a period subsequent to when the income from operations is reported. This disclosure could be confusing to a user of the financial statements.

In addition, this disclosure could be operationally burdensome for some entities, specifically large multinational entities. Entities with decentralized multinational locations may find it difficult to separate this information by jurisdiction as tax payments are made at different times in different jurisdictions. This could also create a cost burden as processes need to be put in place for certain entities to track cash payments for income taxes such that these can be aggregated across the enterprise.

*The aggregate of cash, cash equivalents, and marketable securities held by foreign subsidiaries:*

We assume the purpose of this disclosure is for a user of the financial statements to understand potential tax consequences of repatriating foreign cash, cash equivalents, or marketable securities. Under current guidance, SEC registrants can appropriately disclose this information, if material, following a principles-based approach. Therefore, additional prescriptive requirements should not be added.

If the provisions discussed above were to be implemented, preparers may incur additional costs and operational challenges related to subsidiary financial reporting. These provisions may create the need for companies to track information that was not previously collected. For example, on a consolidated financial statement basis, certain transactions and income or loss may be characterized as foreign, while these same items may need to be characterized as domestic for
purposes of stand-alone subsidiary reporting. This could cause operational challenges for certain enterprises in tracking transactions and income in different jurisdictions.

If the standard is to be implemented, it should be applied prospectively only. Many of the proposed disclosures are to provide investors and users with forward-looking information, and therefore, prior periods are not as relevant. Given the potential operational challenges related to the gathering of information required by the Proposed Update, along with the concurrent work being done on other significant accounting standards, we believe the Board should not require an effective date earlier than fiscal years beginning after December 15, 2018 in order to allow preparers adequate time to implement the new standard and ensure that it is fully understood, captured, and vetted.

Summary / Conclusion

UnitedHealth Group does not object to certain amendments in the Proposed Update, however, the issued standard should not include requirements around: 1) the amount of pretax income (or loss) from continuing operations disaggregated by foreign and domestic amounts; 2) the amount of income tax expense (or benefit) from continuing operations disaggregated by foreign and domestic amounts; 3) the amount of income taxes paid disaggregated by foreign and domestic amounts; and 4) the aggregate of cash, cash equivalents, and marketable securities held by foreign subsidiaries.

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We appreciate your consideration of our comments on the Proposed Update. If we can provide further information or clarification of our comments, please call me.

Sincerely,

Thomas E. Roos  
Senior Vice President and Chief Accounting Officer  
UnitedHealth Group, Incorporated  
(952) 936-1875