July 15, 2019

File Ref: 2019-700
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116


Dear Technical Director,

The Accounting Principles and Auditing Standards Committee (the Committee) of the Florida Institute of Certified Public Accountants (FICPA) respectfully submits its comments on the referenced proposal. The Committee is a technical committee of the FICPA and has reviewed and discussed the above referenced proposed [ASU, auditing standard, etc]. The FICPA has more than 19,500 members, with its membership comprised primarily of CPAs in public practice and industry. The Committee is comprised of 20 members, of whom 35% are from local or regional firms, 25% are from large multi-office firms, 20% are sole practitioners, 5% are in international firms, 5% are in education, and 10% in industry. The Committee has the following comments related to [the questions numbered below]:

Due to the nature of the complexity of the pronouncement and the nature of our response, the Committee has tailored our response on the basis of the effect on each segment related to the proposed updated where appropriate.

1. Do you agree that the amendments in this proposed Update would simplify the accounting for income taxes? If not, please explain which proposed amendment(s) you disagree with and why.

Franchise taxes; the committee feels the result of the aforementioned update is a simplification of the process in cases on income based factors that routinely exceed non-income (i.e. capital) based factors. As a related follow-up, we defer to FASB regarding the relative costs and benefits involved, but if the burden of the proposal is disproportionately borne by certain industries (or otherwise definable classifications), FASB should consider whether allowing a limited opt-out election is warranted.

Goodwill; the Committee agrees that the clarifying guidance reduces complication with regard to the accrual, or non-accrual, of a deferred tax asset in accordance with the economics of the transaction. The proposal introduces judgment and nuance, and this would not necessarily simplify the accounting for most entities. However, the proposal is well considered. Its consideration of the economics underlying the step up (in the circumstances described) is persuasive and weighs heavily in favor of the change.

With regard to Allocation requirements, Exception to intra-period tax allocation, Foreign equity method investment of subsidiary exception, Interim sub-topic, effect of a change in tax rates in an interim period, and Removing exception to interim tax calculations in cases of YTD loss exceeding anticipated loss; the committee agrees that the update for allocation requirements will reduce diversity in practice through simplification of the
aforementioned process. Additionally, the Committee believes these updates will align effective timing throughout the industry where applicable.

2. **Do the proposed amendments maintain or improve the usefulness of information provided to users?**
   Alternatively, would the proposed amendments result in the elimination of decision-useful information? Please explain why or why not.

Franchise tax updates; the Committee feels that in certain circumstances, such as those in which non-income measures historically represent the near-exclusive determinant of tax liability, the presentation and disclosure implications of the proposal (resulting from a change in scope of ASC 740) may confuse financial statement users.

As an aside to the goodwill step up proposal, FASB should more generally consider revisiting FASB ASC 805-740-25-3 for entities electing the private company alternative concerning goodwill amortization. The case for prohibition of the specified DTLs is weakened in these instances. Perhaps the restriction could be lifted when goodwill is subject to amortization.

3. **Are the proposed amendments operable and auditable? If not, which aspects pose operability or auditability issues and why? Would any of the proposed amendments impose significant incremental costs? If so, please describe the nature and extent of the additional costs.**

Regarding the franchise tax proposal, the Committee feels the proposal renders the accounting treatment more operable and auditable. Reversals should become more predictable and more amenable to routine accounting processes; this should reduce the diversity of practice and eliminate unwieldy subjective judgment regarding timing, valuation, etc.

4. **Are the transition requirements and transition disclosures for the proposed amendments appropriate? If not, what transition approach or transition requirements would be more appropriate and why?**

Franchise Tax; the committee feels that retrospective implementation would prove both costly and difficult to stakeholders. Alternatively, the committee feels that a modified retrospective approach would be more appropriate; with the cumulative change booked to equity and disclosed in the notes to the financials as a change in accounting estimate.

With regard to the effects of the update on other related items, the Committee provides no comment.

5. **How much time would be needed to adopt the proposed amendments? Should early adoption be permitted? Should entities other than public business entities be provided with an additional year to implement the proposed amendments? Why or why not?**

Franchise Tax; the committee feels the effective date should be issued on or after December 15, 2019 for fiscal years affected.
With regard to the effects of the update on other related items, the Committee provides no comment.

Respectfully submitted,

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Committee member coordinating this response:
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