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Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
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Re: Proposed Accounting Standards Update Compensation – Stock Compensation (Topic 718) *Improvements to Employee Share-Based Payment Accounting*

Verizon Communications Inc. (Verizon) appreciates the opportunity to comment on the Proposed Accounting Standards Update Compensation – Stock Compensation (Topic 718) *Improvements to Employee Share-Based Payment Accounting*. Verizon, one of the world's leading providers of communication services, is a registrant with the SEC and is classified as a large accelerated filer.

Verizon does not support the Board's proposed guidance that would require that all excess tax benefits and tax deficiencies be recognized as income tax expense or benefit in the income statement. We understand that the Board's proposal is aimed at simplifying the accounting for the income tax consequences of share-based payment transactions. However, the proposed change will result in volatility in income tax expense based solely on changes in a company's share price from grant date to the payment date of the awards. Additionally, we believe that the proposed guidance is not conceptually sound because if the tax effects for the changes in share price from grant date to exercise date are recorded as an income statement transaction, it would not be aligned with the exercise of the award (issuance of stock) which is an equity transaction.

We support a model where the difference between the income tax benefits related to compensation expense recognized upon the granting of equity awards and the tax deduction subsequently taken upon exercise of the equity awards are recognized in additional paid-in-capital for both excess tax benefits and tax deficiencies. Conceptually, the tax effects of share-based employee compensation that qualifies as an equity award affects both the income statement and paid-in capital because the total tax deduction pertains to two separate transactions:

1. The income tax effects associated with compensation expenses recognized upon the granting of equity awards for employee services rendered are income statement items.
2. The income tax effects associated with changes in the share price from grant date to the ultimate exercise date of the equity awards are equity transactions.

Verizon believes that the Board's goal of simplification can be achieved whereby both excess tax benefits and tax deficiencies are recognized in additional paid-in-capital. We believe that this approach is conceptually sound and will eliminate the need for tracking the APIC pools. As an alternative, if the Board does not agree with our proposed model, we recommend that the current guidance for the APIC pool be retained.

Thank you for the opportunity to comment. We would be pleased to discuss our comments in more detail with the members of the Board or Staff.

Respectfully Submitted,

Monty Garrett
Senior Vice President - Accounting