Allstate
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August 14, 2015

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

Re: Proposed Accounting Standards Update, "Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting" (File Reference No. 2015-270)

Sent via email to director@fasb.org

The Allstate Corporation ("Allstate" or "we") appreciates the opportunity to provide comments on the Financial Accounting Standards Board's ("FASB" or "Board") Proposed Accounting Standards Update, *Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting* ("Proposal"). Allstate is the nation's largest publicly held personal lines insurer with over 40,000 employees.

Allstate supports the Board's efforts to reduce complexity in accounting standards and provide more decision-useful information to users of financial statements. We appreciate FASB's review of stock compensation to reduce complexity and we believe many aspects of the Proposal achieve this important objective. However, we believe certain aspects of the Proposal may unintentionally introduce new and/or different complexities. Our comments on the Proposal are as follows:

Accounting for income taxes

We are not supportive of the proposal to eliminate the additional paid in capital (APIC) pool and recognize all excess tax benefits and excess tax deficiencies as income tax expense or benefit in the income statement as this would increase complexity and result in incremental costs without providing sufficient benefit to the users of the financial statements. We do not view elimination of the APIC pool as a necessary or desired simplification as the tracking process is not time consuming as many companies have mechanized such processes over the past 10 years that the standard was in place. Additionally, elimination of the APIC pool will require changes to the Cash Flow Statement and will introduce complexity for determining deferred taxes and disclosing components of the effective tax rate. Moreover, the proposed changes would result in unnecessary costs associated with changes to our systems and processes. We believe the current standard appropriately captures the economics and nature of the equity awards, where the impact from exercising awards attributable to the change in the value of the equity shares between the grant date and the exercise date flow through equity. In contrast, impacting income on a current basis in a pro-cyclical manner would not be consistent with the nature of share-based awards.

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Forfeitures of non-vested awards

We support the proposed changes to the accounting for forfeitures. Allowing entities to recognize forfeitures as they occur, through an accounting policy election, may be appropriate for certain entities as it would simplify the process for determining compensation expense. Alternatively, entities that have large share-based compensation programs with forfeitures occurring unevenly during the vesting period of the award may wish to retain, through an accounting policy election, their existing accounting, where forfeitures are estimated when determining compensation expense.

Statutory tax withholding requirements

While we agree with the proposed change to permit equity classification for awards that do not exceed the maximum tax rate for awards with partial cash settlement for tax withholding, we believe the threshold should be determined at the jurisdiction level and not at the individual employee level as implied in the proposed guidance. The proposed language states in part the following, "…if the amount that is withheld or may be withheld at the employee's discretion, is in excess of the employee's maximum individual statutory tax rate in the applicable jurisdiction, the entire award shall be classified and accounted for as a liability…" From a review of the basis for conclusions for the amendments in paragraph BC16, it appears the Board's intention was for the amendment to require an entity to "determine only one maximum rate in each jurisdiction rather than determining a rate for each employee under the existing exception." Determining the maximum withholding tax rate for each individual employee in the applicable jurisdiction would introduce significant complexity for entities that provide share-based compensation to a larger and more diverse employee pool.

Awards with repurchase features

We agree with the proposed changes to the classification of awards with contingent repurchase features to consider whether the contingent event is probable of occurring. This is a positive development for those entities that do have such awards and would align the accounting requirements for awards with repurchase features for put and call rights.

We appreciate the opportunity to comment on the Proposed ASU. If you desire further discussion, please contact me at (847) 402-2213 or Kevin Spataro at (847) 402-0929.

Sincerely,

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