PNM Resources

August 14, 2015

Ms. Susan Cosper
Technical Director
Financial Accounting Standards Board
401 Merritt 7
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Email: director@fasb.org

File Reference: 2015-270 – Proposed Accounting Standards Update, Compensation – Stock Compensation (Topic 718), ***Improvements to Employee Share-Based Payment Accounting***

Dear Ms. Cosper:

PNM Resources, Inc. appreciates the opportunity to respond to the Proposed Accounting Standards Update, Compensation – Stock Compensation (Topic 718), *Improvements to Employee Share-Based Payment Accounting* (the "ED"). In general, we support the efforts of the FASB to provide simplify accounting standards in certain areas.

PNM Resources, Inc. is an investor-owned holding company with approximately $5.8 billion of assets, $1.4 billion in annual revenues, and $2.2 billion in market capitalization. Our operating subsidiaries consist of two regulated utilities providing electricity and related services in New Mexico and Texas.

Our responses to certain of the Questions for Respondents are set forth below. We take no position regarding the questions for which responses are not presented.

Question 1: Do you agree that the proposed amendments result in a reduction (or potential reduction) of cost and complexity while maintaining or improving the usefulness of information provided to users of financial statements? If not, why?

On an overall basis, we believe that the proposals included in the ED will reduce the complexity of applying accounting standards, which should result in a reduction of cost. However, we believe some of the proposals will provide higher degrees of simplification than others and the proposals will have varying impacts on entities, depending on the individual circumstances of the entity. As explained in our response to Question 2, we do not believe the proposals addressed in that question maintain the usefulness of accounting information.

Question 2: Should excess tax benefits and tax deficiencies be recognized in the income statement? If not, why, and are there other alternatives that are more appropriate? Should an entity delay recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable? If yes, why?

We do not support the proposal to recognize excess tax benefits or tax deficiencies in the income statement. We believe that the existing accounting, as set forth in SFAS 123R, is more theoretically sound. We believe the existing approach of treating stock awards as two separate transactions – a compensation transaction at the date of the award, which is under the control of the entity making the award, and an equity transaction at the exercise or vesting, which is not under the control of the entity in the case of stock options or similar awards. The excess tax benefits and tax deficiencies are part of the equity transaction and should continue to be recognized in equity. If the excesses were to be recognized in earnings there would be a disconnect between the amount of compensation recorded as expense and the income taxes related to that compensation. Recognizing excesses in earnings would also lead to volatility in earnings and earnings per share that is not reflective of the operations of the entity and, in some cases, the result of actions beyond the control of the entity.

We acknowledge that the proposal would reduce accounting complexity for some entities. However, we do not believe that reduction would be significant and seems to be trading one type of complexity for another, which could result in increased complexity for some entities. In any case, the reduction would not be significant enough to warrant changing the accounting model to a less theoretically sound approach.

Accordingly, we believe proposed amendments should not be adopted and the existing accounting model should be retained.

We do not object to the proposal to eliminate the requirement that excess tax benefits not be recognized until the benefit is realized through a reduction of taxes payable. We do not believe this aspect would result in significant impacts to financial statements and any realization concerns should be included in the process of determining valuation allowances for deferred tax assets.

Question 3: Should the effect on tax cash flows related to excess tax benefits be classified as an operating activity on the statement of cash flows? If not, what classification is more appropriate and why?

For reasons similar to those stated in our response to Question 2, we believe cash flows related to excess tax benefits should continue to be classified as a financing activity within the statement of cash flows.

Question 4: Should entities be permitted to make an accounting policy election either to account for forfeitures when they occur or to estimate forfeitures? If not, why?

We support the proposal to permit an entity to make an accounting policy election either to estimate the effect of forfeitures in its initial accrual of compensation cost each year or to account for forfeitures in compensation cost when they occur. Both alternatives should provide essentially the same annual result and, although there would be some difference in interim reporting, the quarterly differences should not be significant. We believe this proposal will simplify the accounting and reduce costs for some, but not all, entities.

Question 5: Is the proposed expansion of the exception to liability classification related to the amount withheld for employee's taxes appropriate? If not, is there another exception that is more appropriate and why?

We strongly support the proposed amendments to expand the exception to the liability classification relating to statutory tax withholding requirements. The amendments would simplify the accounting for share-based payments and recognize the reality of employees' tax obligations, without undermining the basic accounting concepts regarding equity or liability classification for stock awards. Under the current guidance, awards that result from similar business and economic decision-making processes may have different accounting impacts, merely because an entity allows an employee to meet his or her income tax obligations by withholding shares at a rate in excess of the minimum rate rather than forcing an employee to fund the tax obligations from another source. Allowing shares to be withheld up to the maximum statutory rate rather than the minimum rate still meets the objective of allowing employees to meet their income tax obligations and this should be allowed without triggering variable plan accounting. This proposal should be adopted.

We recommend that the FASB clarify whether the intent of the proposal is to determine the maximum statutory rate for each individual employee or to determine a maximum rate for each tax jurisdiction that is applied to all employees within that tax jurisdiction.

Question 6: Should the cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes be classified as a financing activity on the statement of cash flows? If not, what classification is more appropriate and why?

Classification as a financing activity is appropriate and we concur with this proposal.

Question 10: Are the transition requirements for each area appropriate? If not, what transition approach is more appropriate?

Except as indicated below, we believe the transition requirements for the issues responded to above are appropriate:

- Issue 3 (718-10-65-6) would require the new standard to be applied using a modified retrospective approach. Since Issue 3 provides entities with an option of how to account for forfeitures and since we do not believe there should be significantly different accounting results from either alternative, we do not think it is necessary to have this provision adopted through a cumulative-effect adjustment. Requiring a cumulative-effect adjustment would add complexity for very little impact on comparability and seems contradictory to the simplification effort. Therefore, we believe this proposal should be applied prospectively.

- There does seem to be a transition section for Issue 5. Presumably, it would follow the transition provisions of Issue 4, but any final standard should provide clarification.

Question 11: How much time will be necessary to adopt the amendments in this proposed Update? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

Each of the proposed amendments included in the ED will take varying amounts of time and effort to adopt and will vary by entity. However, we do not believe the time required will be significant other than for Issue 1. As set forth above, we do not support the proposed amendments contained in Issue 1, but if those are ultimately adopted, we believe some entities will require significant time to implement. Therefore, the effective date for Issue 1 (and Issue 2, which is dependent on Issue 1) will need to allow adequate time for implementation. Otherwise, we do not believe significant effort will be required and effective dates for the other proposals do not need to be delayed.

We encourage the Board to issue a final Accounting Standards Update as soon as possible. Other than for Issue 1 (and the related Issue 2), we do not believe there will be a lot of opposition or controversy to the proposals in the ED. If the FASB cannot reach a consensus on all proposals in the ED due to varying positions on Issue 1, consideration should be given to deferring that matter and issuing an ASU covering the other issues. In particular, it would be beneficial to employees for the amendments allowing shares to be used to meet income tax withholdings up to the maximum statutory rate, which we do not believe will be controversial, to be able to be applied to any future exercise or vesting. We believe the Board to allow for early adoption of the proposals.

Again, we appreciate the opportunity to comment on the ED. We would be pleased to discuss our position or to provide additional information.

Sincerely,

PNM Resources, Inc.

Henry A. Ingalls

Henry A. Ingalls
Director, SEC Reporting and GAAP Analysis