The Walt Disney Company

August 14, 2015

Technical Director
File Reference No. 2015-270
Financial Accounting Standards Board 401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Re: Exposure Draft – Improvements to Employee Share-Based Payment Accounting (File 2015-270)

Dear Technical Director:

The Walt Disney Company is pleased to have the opportunity to comment on the exposure draft, Improvements to Employee Share-Based Payment Accounting (the ED), which proposes changes to ASC 718, Compensation – Stock Compensation, as part of the Board's ongoing simplification effort.

We support the Board's broader simplification effort as well as most of the changes proposed in the ED. However, we do not believe that recognizing excess tax benefits and tax deficiencies on share-based compensation arrangements in the income statement is appropriate for conceptual reasons nor will it result in overall simplification. We believe a better approach would be to record all excess tax benefits and tax deficiencies in equity as additional paid-in capital regardless of whether an entity has sufficient accumulated tax benefits.

From a conceptual standpoint, changes in the value of share-based compensation awards after the grant date are not recorded in earnings if the award is an "equity classified award"—in essence these changes are equity transactions. Therefore, we do not believe the related tax effects should be recorded in earnings. In other words, only the tax effect of the share-based compensation expense should be recognized in earnings. Recording excess tax benefits and tax deficiencies in the income statement will lead to a mismatch between pretax earnings and the tax provision.

From a simplification standpoint, because the tax provision on ordinary income is computed based on the annual estimated effective tax rate applied to year to date activity, the proposal would potentially require that companies estimate the impact of future share-based compensation activity that is triggered by employees (e.g., option exercises)—which is inherently unpredictable. Alternatively, the tax impact of items for which a reliable

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estimate cannot be made is reported in the interim period in which the item arises (i.e., treated as discrete). Either approach will result in tax rate impacts that are not related to underlying business performance in any particular reporting period and tax rate volatility that will not be meaningful to financial statement users.

Recording excess tax benefits and tax deficiencies in equity not only addresses the conceptual issue but it will also better achieve the Board's simplification objective.

We would be pleased to respond to questions regarding our comments in this letter as well as other aspects of the ED.

Sincerely,

Brent A. Woodford
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