



2 Court Square, 14<sup>th</sup> floor  
Long Island City, NY 11101

May 29, 2019

Mr. Shayne Kuhaneck  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

***File Reference No. 2019-500***

Dear Mr. Kuhaneck:

Citigroup appreciates the opportunity to comment on the Exposure Draft (“ED”) of the proposed Accounting Standards Update (Revised) (“Proposed ASU” or “Update”)—*Income Taxes (Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes*.

We commend the efforts of the Board to improve the decision-usefulness of the information provided to users of financial statements specifically as it relates to financial statement disclosures on income taxes. Our responses to the questions presented in the Proposal are provided below.

We would be pleased to discuss our comments with you at your convenience. Please feel free to call me at (347) 648-7721.

Sincerely,

A handwritten signature in blue ink that reads "Robert Traficanti". The signature is written in a cursive, flowing style.

Robert Traficanti  
Global Head of Accounting Policy

**Question 1: Would the amendments in this proposed Update that add or modify disclosure requirements result in more effective, decision-useful information about income taxes? Please explain why or why not. Would the proposed amendments result in the elimination of decision-useful information about income taxes? If yes, please explain why.**

**Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?**

**Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.**

**Question 4: One of the proposed amendments would require entities to disclose pretax income (or loss) from continuing operations before intra-entity eliminations disaggregated between domestic and foreign, which initial feedback indicated would reduce diversity in practice. Would this proposed amendment be operable? Should the Board specify whether the disclosed amounts should be before or after intra-entity eliminations? Why or why not?**

In response to Questions 1-4 above, Citi generally believes that the amendments in this proposed update result in a more effective disclosure framework for income taxes. We note that many of the amendments in this proposed update codify existing SEC requirements with which Citi is already in compliance. Of the amendments not already required by the SEC, Citi believes that the new requirements are operable and would not impose significant incremental costs.

**Question 5: Would a proposed amendment to require disaggregation of income tax expense (or benefit) from continuing operations by major tax jurisdiction be operable? Would such a proposed amendment result in decision-useful information about income taxes? Why or why not?**

Citi does not support an amendment to require disaggregation of income tax expense (or benefit) from continuing operations by major tax jurisdiction. Citi operates in many jurisdictions throughout the world, and this proposed amendment would require changes to processes and procedures which would likely lead to increased cost.

**Question 6: The proposed amendments would modify the existing rate reconciliation requirement for public business entities to be consistent with SEC Regulation S-X 210.4-08(h). That regulation requires separate disclosure for any reconciling item that amounts to more than 5 percent of the amount computed by multiplying the income before tax by the applicable statutory federal income tax rate. Should the Board consider a threshold that is different than 5 percent? If so, please recommend a different threshold and give the basis for your recommendation.**

Citi agrees that additional disclosures for significant reconciling items affecting the effective tax rate would be valuable information for stakeholders. However, we do not believe 5 percent is an appropriate threshold and would recommend a higher threshold be used for requiring additional disclosures relating to an explanation of the year-to-year change in an amount or percentage of a reconciling item. Prior to U.S. Tax Reform, the 5 percent threshold for reconciling items resulted in items over 1.75 percent of EBIT (35 percent statutory rate x 5 percent) being deemed significant. After

U.S. Tax Reform lowered the statutory rate to 21 percent, using a 5 percent threshold for reconciling items has the potential to include items as low as 1 percent of EBIT being considered significant and requiring specific disclosure.

**Question 10: Should the proposed disclosures be required only for the reporting year in which the requirements are effective and thereafter or should prior periods be restated in the year in which the requirements are effective? Please explain why.**

Citi believes that the proposed disclosures should be applied prospectively.

**Question 11: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? Please explain why.**

Citi believes the effective date for proposed ASU should be periods beginning after December 31, 2020 (2021 fiscal year) for all entities.