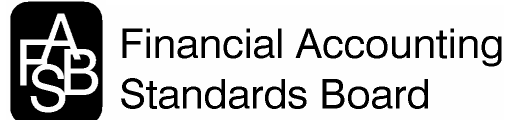


## REVISED MINUTES



**To:** Board Members

**From:** Short-Term Convergence—Income Tax Team (Gagon, Ext. 322)  
Revised Minutes of the March 16, 2004 Board Meeting

**Subject:** 2004 Board Meeting

**Date:** March 19, 2004

**cc:** Bielstein, Smith, Petrone, Leisenring, Project Team, Mahoney, Thompson, Vincent, Sutay, Gabriele, Swift, Polley, FASB Intranet (e-mail)

Topic: Scope Approval and Project Activities

Basis for Discussion: Board memorandum 1 (Scope) dated March 2, 2004

Length of Discussion: 10:50 a.m. to 11:05 a.m.

Attendance:

Board members present:	Herz, Trott, Schipper, Batavick, Crooch, and Seidman
Board members by phone:	Schieneman
Board members absent:	None
Staff in charge of topic:	Thomas
Other staff at Board table:	Bielstein and Gagon
Outside participants:	Kathie Bugg, IASB staff (by phone)

**Summary of Decisions Reached:**

The Board discussed the staff's proposals for the scope and initial activities for the short-term income tax convergence project.

The Board decided that items that were scope exceptions to FASB Statement No. 109, *Accounting for Income Taxes*, also are outside the scope of a short-term income tax convergence project. Those items are:

- a. The basic methods of accounting for the U.S. federal investment tax credit and for foreign, state, and local investment tax credits or grants
- b. Discounting of deferred taxes
- c. Accounting for income taxes in interim periods.

The Board also decided that certain other differences between Statement 109 and IAS 12, *Income Taxes*, should not be considered in this project; rather, those items should be considered in another major project that is more closely associated with the difference. Those items are:

- a. Goodwill (Statement 109, paragraphs 9 and 30)
- b. Leveraged leases (Statement 109, paragraphs 9 and 256–258)
- c. Share-based payments.

The Board decided the following exceptions to the comprehensive deferred tax asset and liability recognition principle of Statement 109 are to be included in the scope and deliberated during the short-term income tax convergence project:

- a. Certain bad debt reserves of savings and loan associations (Statement 109, paragraphs 9 and 31–34)
- b. Policyholders' surplus (Statement 109, paragraphs 9 and 31–34)
- c. Steamship enterprise exception (Statement 109, paragraphs 9 and 32)
- d. Foreign subsidiaries and undistributed earnings (Statement 109, paragraphs 9 and 31–34)
- e. Intercompany transfers (Statement 109, paragraph 9)

- f. Foreign currency translation (Statement 109, paragraph 9).

The Board decided that the following structural differences between Statement 109 and IAS 12 and other application and implementation issues are to be included in the scope and deliberated during the short-term income tax convergence project:

- a. Interperiod tax allocation (backwards tracing) (Statement 109, paragraphs 26–28 and 35)
- b. Deferred tax effects arising in asset acquisitions (EITF Issue No. 98-11, “Accounting for Acquired Temporary Differences in Certain Purchase Transactions That Are Not Accounted for as Business Combinations”)
- c. Tax rate—enacted rate issue and distributed rate issue (Statement 109, paragraphs 18 and 19)
- d. Deferred tax asset recognition and valuation allowance issues (Statement 109, paragraphs 17 and 20–25)
- e. Balance sheet classification (Statement 109, paragraph 41).

**Matters Discussed and Decisions Reached:**

Mr. Thomas began the meeting by giving a brief background of Statement 109 and IAS 12. Mr. Thomas mentioned that the purpose of the meeting was not to decide what to change or if anything should change in Statement 109; rather, the purpose of the meeting was to define the scope of the differences between Statement 109 and IAS 12 that the staff will bring to the Board for its consideration during the project.

The Board unanimously agreed with the staff’s proposal for the scope of the project as outlined in the *Summary of Decisions Reached* section above.

Furthermore, the Board agreed with the staff’s recommended initial project activities prior to the joint FASB/IASB Board meeting in April. The Board agreed that initial recognition of deferred tax effects arising on asset acquisitions (Issue 98-11) and interperiod tax allocation should be addressed prior to the joint meeting so that these issues can be discussed at the upcoming joint meeting in April and again at the joint meeting in October if necessary.

The IASB has extensively deliberated the initial recognition exception in IAS 12 and, in broad terms, supports the approach taken by Issue 98-11. However, the IASB staff is currently working to modify the Issue 98-11 approach to change aspects of it that produce results considered inconsistent with the conceptual framework. The staff will review the IASB staff's recommendation and the tentative IASB decision. The staff will determine if the final IASB approach is considered to be an acceptable alternative to current U.S. GAAP, or develop an alternate approach based on our work, and present the results to the Board prior to the joint meeting in April for decision making purposes.

The staff will present the interperiod tax allocation issue to the Board for educational purposes only so the Board can be prepared to discuss this topic with the IASB at the joint meeting. However, the Board is not expected to make a decision concerning the interperiod tax allocation issue at the joint meeting in April.

**Follow-up Items:**

None

**General Announcements:**

None