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Mr. Lawrence W. Smith
Chairman of Emerging Issues Task Force
Financial Accounting Standards Board
401 Merritt 7
Norwalk, Connecticut 06856-5116

Re: EITF Issue 06-3
Sales Taxes Collected – Income Statement Presentation

Dear Mr. Smith

Please consider my comments when arriving at your task force' ultimate conclusion. While I have a basic disagreement with the premise of the proposal, I would like the EITF to consider a minimum 12 month effective date after final adoption. This significant reporting change would create confusing and difficult fundamental changes for registrants' financial reporting systems. Point-of-sale systems and the integration with financial reporting systems would require significant reprogramming and testing. That would only accomplish prospective reporting. The additional time would also be used to provide accurate historical reporting of comparative results.

Your literature requests disagreeing commenters to suggest alternatives, but I must admit after reading the EITF draft, I'm unsure of the problem attempting to be solved. In fairness, my career has been in the retail sector, so I can not appreciate nuances such as cable franchise fees or airline excise taxes and fees. Our economy is changing to an electronic driven society. Just now we are seeing tax policy beginning to recognize these fundamental changes. For example, Ohio has adopted a commercial activities tax on gross receipts to replace their income/franchise tax. Other states are considering similar structures. Including sales tax as a gross receipt would subject companies to gross receipts tax upon sales tax in certain jurisdictions unless changed by legislation.

Additionally, enactment of this proposal would lead to significant comparability issues. As retailers have evolved into big-box, super-store concepts, the product mix has changed from strictly hard-line products (typically taxable) to grocery items (typically non-taxable or reduced rate tax). Continued changes in the product mix would distort the overall growth or trend of the business. Also, sweeping increases in transaction tax rates would boost the top line of the enterprise appearing to create a benefit. How can this not mislead the investing public? Consider the tax policy change made in Michigan several years ago. A dramatic reduction of ad valorem taxes was offset by raising the sales tax rate from 4% to 6%. As written, the proposal would have made it more difficult to measure the true worth of a Michigan enterprise. Additionally, the Streamlined Sales Tax Initiative, adopted by about 20 states now requires destination

based sourcing rules. This means two companies located on the same street selling identical \$1 million dollars of delivered product or taxable services would report different revenue if one company's customer is in a higher tax jurisdiction than its neighbor-competitor.

Tax policy and tax administration is changing at a pace unseen in history. The markets are clamoring for transparency of transactions and business results. The current proposal seems to accomplish the exact opposite. It would also make tax administration more confusing than current.

If you have questions about my comments, I can be contacted at Kevin-Green@Advance-auto.com or at 540-561-8351. Thank you for consideration of my comments on this matter.

Sincerely
Advance Auto Parts

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