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May 3, 2006

Via Email and Courier

Lawrence W. Smith
Director – Technical Application and Implementation Activities
EITF Chair
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. EITF0603

Dear Mr. Smith:

The Retail Industry Leaders Association (RILA) and its Financial Leaders Council commend the decision to place on its agenda the very important issue of “How Taxes Collected from Customers and Remitted to Governmental Authorities Should Be Presented in the Income Statement (That Is, Gross versus Net Presentation). RILA is an alliance of the world’s most successful and innovative retailer and supplier companies – the leaders of the retail industry. RILA members represent more than \$1.4 trillion in sales annually and operate more than 100,000 stores, manufacturing facilities and distribution centers nationwide. Its member retailers and suppliers have facilities in all 50 states, as well as internationally, and employ millions of workers domestically and worldwide. Through RILA, leaders in the critical disciplines of the retail industry work together to improve their businesses and the industry as a whole. The issues set forth in EITF Issue 06-03 are of critical importance to RILA and its members. We are pleased to offer our comments on the tentative conclusions reached at the March 15, 2006 EITF meeting.

Issue 1 – Whether the scope of this Issue should include (a) all nondiscretionary amounts assessed by governmental authorities, (b) all nondiscretionary amounts assessed by governmental authorities in connection with a transaction with a customer, or (3) only sales, use, and value added taxes.

The Task Force reached a tentative conclusion that the scope of this Issue should include any tax assessed by a governmental authority that is directly imposed on a revenue-producing transaction between a seller and a customer and may include, but are not limited to, sales, use, value added, and some excise taxes.

RILA believes that the Task Force’s tentative conclusion as to the scope of this Issue is appropriate. Failure to address all taxes that are directly imposed on a revenue-producing transaction between a seller and a customer would fail to resolve all of the uncertainty that prompted the EITF to place this important issue on its agenda in the first place.

Issue 2 – How taxes assessed by a governmental authority within the scope of this Issue (Issue 1) should be presented in the income statement (that is, gross versus net presentation).

The Task Force reached a tentative conclusion on Issue 2 that the presentation of taxes within the scope of Issue 1 on either a gross (included in revenues and costs) or net (excluded from revenues) basis is an accounting policy that should be disclosed pursuant to Opinion 22. In addition, for any such taxes that are reported on a gross basis, a company should disclose the amounts of those taxes in interim and annual financial statements for each period for which an income statement is presented if those amounts are significant. The disclosure of those taxes can be done on an aggregate basis.

We agree that the presentation of these types of taxes represents an accounting policy that should be disclosed pursuant to Opinion 22. Moreover, we concur with the decision that the consensuses in Issues No. 99-19, “Reporting Revenue Gross as a Principal versus Net as an Agent,” No. 00-10, “Accounting for Shipping and Handling Fees and Costs,” and No. 01-14, “Income Statement Characterization of Reimbursements Received for ‘Out-of-Pocket’ Expenses Incurred” should not be readdressed.

In our industry, we believe that the taxes at issue have been accounted for consistently by the industry as a net item in reliance on existing guidance. Any attempt to change the accounting for such taxes, we believe, would be misguided and would not improve financial statement comparability or representational faithfulness for the reasons we set forth in our request that this important issue be placed on the EITF agenda. A copy of that request is attached hereto.

Issue 3 – Whether it is appropriate that at the date of adoption an entity is not required to reevaluate its policy of the presentation of taxes in the financial statements.

We agree with the Task Force’s tentative conclusion that because this Issue requires only presentation of additional disclosures, an entity would not be required to reevaluate its existing policies. However, a company that chooses to reevaluate its existing policies and elects to change the presentation of taxes must follow the requirements of Statement 154.

We thank you for the opportunity to comment on this very important issue.

Sincerely,



Jane Windmeier
Chair, RILA Financial Leaders Council