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May 15, 2015

Ms. Susan Cospier
Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

Re: File Reference No. 2015-200-I

Dear Ms. Cospier:

SanDisk Corporation appreciates the opportunity to provide our views on the Board's recent proposal, Income Taxes (Topic 740): (I) Intra-Entity Asset Transfers. In general, we do not support the proposal to eliminate the exception to the comprehensive recognition of current and deferred income taxes for intra-entity asset transfers.

SanDisk Corporation is a global leader in flash storage solutions with a strong history of innovative products. Our products are used in a variety of large markets, and we distribute our products globally through commercial and retail channels. We are an S&P 500 (NASDAQ: SNDK) and Fortune 500 company, with more than half our products sales outside the United States. As a common business practice, we manufacture and sell inventory through our supply chain and distribution network. For the year ended December 28, 2014, we had revenue of \$6.6 billion.

Question 1: *Should the current and deferred income tax consequences of an intra-entity asset transfer be recognized when the transfer occurs? If not, why?*

No, we believe that the income tax consequences of intra-entity transfers should be deferred at the time of the transfer. The income tax consequences should be recognized when the underlying asset leaves the consolidated group or amortized over the assets live should it remain within the consolidated group.

Decoupling the income tax consequence from the consolidated financial statement recognition of profit results in volatility to a company's income tax provision and may not provide a clear indication of the company's structural tax rate. The short time period between the intra-entity transfer and eventual sale of inventory may have not result in a significant difference between the current accounting and proposal, however, the impact is more pronounced with long-lived assets. This is certainly the case in

the technology industry where intercompany transfers of intellectual property may be covered under ASC 810-10-45-8. Ultimately, we believe this new proposed guidance will dramatically impact the variability of the effective tax rate of companies in the technology industry making it difficult for investors and readers of the financial statements from understanding a company's underlying tax rate.

An additional concern is estimating the annual effective tax rate. Since the intra-entity sale of assets under the proposal may result in an impact to the effective tax rate, companies would need to forecast the intra-entity sales.

We believe the proposal may harm the comparability of financial statements between reporting periods and across companies. As a result, financial statement readers may continue to seek non-GAAP measurements to report the underlying operations and related financial performance, which ultimately lessens the prominence of GAAP and comparability.

Question 2: *If the income tax consequences should not be recognized when the transfer occurs, should the income taxes payable or paid upon transfer be expensed as incurred? If not, how should income taxes payable or paid be recognized?*

No, we believe that the income taxes paid or payable should be deferred until the underlying asset leaves the consolidated group. The intra-entity transfer of intellectual property may be structured to result in taxes payable over several years. As such, recognizing the entire taxes payable in the year of transfer may distort the company's income tax provision.

As noted in Question 1, we believe that the current and deferred tax consequences should be deferred at the time of transfer. The income tax consequences should be recognized when the underlying asset leaves the consolidated group or amortized over the asset's life should it remain within the consolidated group.

Question 3: *Should the proposed guidance be applied on a modified retrospective basis? Are the transition disclosures appropriate?*

While we do not support the proposed guidance, in the event of its implementation, we agree that the proposed guidance be applied on a modified retrospective basis.

Question 4: *Should the amendments in this proposed Update be effective for:*

- a. Public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016*
- b. All other entities for annual periods beginning after December 15, 2017, and interim periods in annual periods beginning after December 15, 2018, with early adoption permitted, but not before the effective date for public business entities?*

We believe the effective dates for public companies are reasonable if the final standard is released by August 31, 2015. Any delay in the release of the final standard should trigger a delay in the effective date by one year. The reason is that this proposed standard impacts the effective tax rate calculation which takes time and resources to prepare as the future effective tax rate is typically provided with future annual forecasted guidance. We also believe that all accounting standards should be adopted by

all issuers at the same time and continue to be opposed to rulemaking that would allow deferral for certain types of issuers.

Question 5: *What would be the expected transition costs of adopting the guidance in the proposed Update? What would be the expected recurring costs of applying the proposed guidance compared with the costs of applying current GAAP?*

The expected transition cost is dependent on the number of intra-entity transfers and amount of separate entities within a company's legal structure. On a modified retrospective basis, the prior year transactions would need to be analyzed and adjusted to conform to the new guidance. This is problematic when such records are not readily available.

The recurring tasks relate to tracking when to recognize the deferred tax asset in the buyer's jurisdiction, subsequent reversal of such deferred tax assets, determining whether such deferred tax asset is subject to valuation allowances, and forecasting the impact of intra-entity sales on a company's annual effective tax rate. This effort is incremental to the current processes that company's undertake and will result in additional costs as systems, models, internal communications, and processes are updated to adopt the proposal.

We thank you for providing us with the opportunity to provide our comments on the Proposed Accounting Standards Update. I can be reached at (408) 801-1856 to discuss this issue further.

Sincerely,

A handwritten signature in blue ink, appearing to read 'Don', with a long horizontal flourish extending to the left.

Donald F. Robertson, Jr.
Vice President and Chief Accounting Officer
SanDisk Corporation

CC: Judy Bruner, Executive Vice President, Administration and Chief Financial Officer;
Steven Shee, Vice President, Global Tax