

May 29, 2015

Ms. Susan M. Cospers
Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

File Reference No. 2015-210

Dear Ms. Cospers:

McGladrey LLP is pleased to comment on the Proposed Accounting Standards Update, *Income Taxes (Subtopic 740), Balance Sheet Classification of Deferred Taxes* (the “proposed ASU”). We support the Board’s Simplification Initiative which was established to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of the financial statements.

In addition to our overall support of the Board’s Simplification Initiative, we support the provisions of this proposed ASU and its amendments to the existing guidance on the balance sheet classification of deferred taxes. Our responses to the “Questions for Respondents” on which specific comment is sought on the proposed Update are included below for your consideration.

Responses to Questions for Respondents

Question 1: *Should all deferred income tax liabilities and assets be presented as noncurrent in a classified statement of financial position? If not, why, and what alternatives should the Board consider, and what is the conceptual basis for the alternatives?*

We support the proposed ASU to present all deferred tax assets and liabilities as noncurrent. The current prescriptive, rule-based guidance does not provide users of financial statements with useful information because the current and noncurrent classification does not always reflect when a temporary difference will reverse.

For example, current guidance requires *some* deferred taxes (a net operating loss or tax credit carryforward) to be classified as current or noncurrent based upon the expected reversal date of the temporary difference. However, certain *other* deferred taxes are classified based on the current or noncurrent nature of the underlying liability or asset (e.g., accounts receivable vs. fixed assets), as opposed to the expected reversal period in which cash taxes will be impacted.

The proposed ASU will eliminate the prescriptive (and non-intuitive) manner in which a valuation allowance is prorated between current and noncurrent deferred tax assets under current GAAP. The proposed ASU would also more closely align U.S. GAAP with the International Financial Reporting Standards (IFRS) standard on income taxes.

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Question 2: *Should the proposed guidance be applied on a prospective basis?*

We believe that the guidance should either be applied retrospectively or have a provision that would allow for an election of retrospective application. We acknowledge that the Board was concerned that there may be incremental costs of retrospective application in situations involving jurisdictional netting; however we believe that these costs would be offset by the benefit of having a comparable balance sheet presentation. There will be situations where the reclassification could have a material impact on working capital. In these situations the users of the financial statements will need to make their own reclassification without the benefit of the detailed deferred tax information. In most situations the deferred tax jurisdictional information is currently available and therefore would not involve a significant amount of incremental effort. If the board determines that there are certain situations whereby the cost would be excessive, we recommend that the board consider allowing for a retrospective election alternative. We believe that the lack of comparability among entities in these limited situations would be offset by the benefits of balance sheet comparability in the vast majority of situations.

Question 3: *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 agree with the proposed mandatory effective dates. However, we believe that early adoption should be permitted for all entities. The primary objective of the Board's Simplification Initiative is to improve areas of GAAP for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of the financial statements. There is no compelling benefit to prohibiting early adoption of the proposed ASU by all entities.

Question 4: 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 costs of adopting the guidance of the proposed ASU will be minimal. We believe the long-term benefits of the proposed ASU outweigh the minimal initial costs of its adoption.

We appreciate this opportunity to provide feedback on the proposed guidance and would be pleased to respond to any questions the FASB or its staff may have concerning our comments. Please direct any questions to Rick Day at 563.888.4017 or Michael Hoffman at 612.455.9442.

Sincerely,



McGladrey LLP