

May 29, 2015

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**Re: File reference numbers 2015-200 – I and 2015-210 – II**

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on Proposed Accounting Standards Updates, *Intra-Entity Asset Transfers and Balance Sheet Classification of Deferred Taxes*. We support the Board's efforts to eliminate diversity in practice and to simplify accounting for income taxes.

Our responses to the Questions for Respondents follow.

**Intra-Entity Asset Transfers (File Reference 2015-200 – I)**

**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?**

Yes, the current and deferred income tax consequences of intra-entity asset transfers should be recognized when the transfer occurs. Eliminating the current prohibition will simplify accounting for income taxes without a significant cost associated with the change.

**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?**

Not applicable as we believe the income tax consequences should be recognized when the transfer occurs.

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

Yes, we believe that modified retrospective transition is appropriate and also agree with the proposed transition disclosures. The disclosures should not be costly to provide as the information flows from the adoption adjustment and will provide financial statement users with

information about the change in accounting principle and quantify the change allowing the users to draw a conclusion about the impact of the change during the adoption period.

**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 that because this project is intended to simplify income tax accounting, early adoption should be permitted for all entities as of the beginning of the first annual period following issuance of the final standard. The information needed to transition should be readily available in the income tax accounting schedules as entities currently track the financial statement / tax basis difference for purposes of tracking the unrecognized basis difference due to the exception.

**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?**

Preparers will be better equipped to speak to the expected costs of adopting this guidance. However, we believe that the costs to adopt the proposed guidance should be minimal because the information needed to determine the adjustment to retained earnings is used currently to calculate and track the financial statement / tax basis difference.

**Balance Sheet Classification of Deferred Taxes (File Reference 2015-210 – II)**

**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?**

Yes, we believe that requiring entities to present all deferred income tax liabilities and assets as noncurrent will increase consistency in reporting and eliminate complexity in separating deferred tax liabilities and assets, especially as it relates to the separation of the valuation allowance between current and noncurrent. Separating the valuation allowance has been an area of difficulty and complexity for preparers resulting in information with minimal usefulness and removing that complexity will simplify the process and reduce preparer costs.

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

We do not object to the proposal to apply the guidance on a prospective basis.

**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 believe that because this project is intended to simplify income tax accounting, early adoption should be permitted for all entities as of the beginning of the first annual period following issuance of the final standard. The information needed to transition should be readily available in the income tax accounting schedules.

**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?**

Preparers are better equipped to respond to the questions regarding transition and recurring costs associated with the proposed changes. However, we believe that simplifying the presentation of deferred income taxes and the related valuation allowance will cause the recurring costs of applying the proposed guidance to be less than the costs of applying current GAAP.

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We would be pleased to discuss our comments with you. If you have any questions, please contact Lynne Triplett, Partner, Accounting Principles Consulting Group, 312-602-8060, [lynne.triplett@us.gt.com](mailto:lynne.triplett@us.gt.com).

Sincerely,

/s/ Grant Thornton LLP