



May 29, 2015

Technical Director
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Via e-mail – director@fasb.org

Re: File Reference No. 2015-200. Proposed Accounting Standards Update: Income Taxes – (Topic 740): *Intra-Entity Asset Transfers*

Plante & Moran PLLC is the 13th largest public accounting firm in the United States and serves a wide range of public and non-public entities in multiple industries. We appreciate the efforts of the Financial Accounting Standards Board (Board) to continue to identify opportunities to reduce the cost and complexity associated with financial reporting requirements, without diminishing the decision-useful information provided to investors and other financial statement users. Following, please find our responses to the specific Questions for Respondents in the above referenced Exposure Draft.

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?

Response 1: Yes, we believe the current and deferred income tax consequences of intra-entity transfers should be recognized when the transfer occurs. Taxing authorities in different jurisdictions typically operate independently. Therefore, when an asset is transferred to an entity in a different tax jurisdiction, a taxable event has occurred. Under the current guidance, no tax expense is recognized at the time of transfer, even though the transferring entity may be required to make a tax payment. Instead, the receiving entity will recognize the tax expense in future periods when the asset has been sold to an outside party. This results in the entity being required to recognize tax expense related to the transfer in a future period instead of in the period the tax was incurred. In some situations, the asset being transferred may not be sold to an outside party, or may not be sold for many years, such as the transfer of an indefinite lived intangible asset. In situations such as these, no tax expense would be recognized until the asset is recovered, resulting in a significant difference between the timing of the tax being paid and the expense being recognized, which does not align with the economic substance of the transaction.

In addition, under the current guidance, the timing of recognition of tax expense resulting from intra-entity transfers is different from the timing of recognition of tax expense for similar transactions occurring between non-related entities. This results in additional complexity in financial reporting as the similar transactions are treated differently, which can impact the comparability of financial statements between entities.

While we support the proposal to recognize tax expense on intra-entity asset transfers, we believe the Board should consider if an exception should be made to allow for a practical expedient for recurring transfers of assets that are to be sold within a short period of time after transfer (e.g., within a few months). As these transactions are recurring in nature and the tax expense is being recognized within a short period of time after the transfer occurs, the Board should consider whether changing the way these types of transactions are accounted for would result in a significant improvement in financial reporting. If the amendments in the proposed Update would not provide more useful information to users of financial statements for these types of recurring transactions, the Board should consider including a practical expedient for recurring transactions to reduce the costs of implementation.

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?

Response 2: We believe that income tax consequences should be recognized when the transfer occurs. However, as a practical expedient, we believe the Board should consider an exception to allow for the recognition of income tax consequences at the time of sale for recurring transfers of assets which are to be sold within a short period of time after transfer.

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

Response 3: We agree that the guidance should be applied on a modified retrospective basis. We believe applying on a full retrospective basis will add significantly to the cost of adoption and the information provided would not provide significant additional benefit to the users of the financial statements. We also agree with the Board's conclusion that prospective adoption would not be appropriate as it would result in tax consequences of previous intra-entity asset transfers remaining unrecognized for an extended period of time.

We believe the proposed transition disclosures are appropriate.

Question 4: Should the amendments in this propose 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?

Response 4: We agree with the proposed implementation dates. However, given that the goal of the proposed guidance is to simplify the accounting for tax consequences related to intra-entity asset transfers, we believe all entities should have the option to early adopt the amendments of the proposed Update.

In addition, we do not believe it is necessary to require an entity to adopt the amendments in this proposed Update at the same time as the amendments of the proposed Update related to the Balance Sheet Classification of Deferred Taxes. While both of these proposed Updates relate

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to the goal of simplifying the accounting for income taxes and are included in the same Exposure Draft, we do not believe that an entity needs to adopt both of the proposed standards at the same time. We believe the amendments of each proposed Update should be considered individually and entities should be able to early adopt the guidance in one proposed Update without regard to when the other proposed Update is adopted.

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?

Response 5: We believe there will be some initial implementation costs related to adopting the proposed guidance; however, these costs should be limited as the proposed treatment for recognizing income tax consequences for intra-entity transfers is the same as for transactions with outside parties. Given this, we would expect most entities will already have a process in place to identify the tax consequences under the proposed method. We also believe that after adoption, the costs of applying the proposed guidance would be lower than the costs of applying the current guidance. This is due to the fact that entities will no longer be required to separately track the tax consequences intra-entity asset transfers until they are subsequently sold.

Thank you again for the opportunity to comment on this exposure draft. We would be pleased to respond to any questions the Board or its staff may have about these comments. Please direct any questions to David Grubb at david.grubb@plantemoran.com or 248.223.3745.

Very truly yours,

PLANTE & MORAN, PLLC