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Massachusetts Society of CPAs®

May 29, 2015

Financial Accounting Standards Board
Technical Director, File Reference No 2015-200
File Reference No 2015-210
401 Merritt 7, P.O. Box 5116
Norwalk, CT 06856-5116

Via e-mail to: Director@fasb.org

RE: EXPOSURE DRAFT ISSUED JANUARY 29, 2015 - PROPOSED ACCOUNTING STATEMENTS UPDATE – INCOME TAXES (TOPIC 740)

Ladies and Gentlemen:

The Accounting Principles and Auditing Procedures Committee ("Committee") is the senior technical committee of the Massachusetts Society of Certified Public Accountants. The Committee consists of members who are affiliated with public accounting firms of various sizes as well as members in both industry and academia. The majority of the members of the Committee primarily serve small and medium sized clients. The Committee has reviewed and discussed the above-mentioned Exposure Draft. The views expressed in this comment letter are solely those of the Committee and do not reflect the views of the organizations with which the Committee members are affiliated.

First the Committee thanks the FASB for the opportunity to comment on this Exposure Draft.

The Committee has reviewed the Exposure Draft as detailed above. The Committee is overall supportive of the work of the FASB.

Intra-Entity Asset Transfers

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?

The Committee is not in favor of this proposal.

The Committee feels that this proposal would add complexity to the accounting for intra-entity asset transfers. The Committee is concerned with how this proposal will be applied in various industries. The application of this proposal the Committee feels will be complex and thus the Committee does not view this proposal as simplification.

105 Chauncy St. 10th Fl. Boston, MA 02111 ··· Office: 800.392.6145 ··· Fax: 617.556.4126 ··· mscpaonline.org

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?

It is the Committee's believe that the present accounting should not be changed and that existing accounting standards be applied as they presently exist.

Question 3

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

As stated above the Committee believes the proposed guidance should not be adopted however if it is adopted the Committee feels that the modified retrospective basis would be appropriate.

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?

As stated above the Committee believes the proposed guidance should not be adopted however the Committee has no concerns about the effective dates.

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 costs would be the cost to implement any change at the effective date. The Committee does not believe this would be a significant cost. In terms of ongoing costs the Committee believes the cost savings would be nil or insignificant since tracking of items will be needed under both the proposed standard and existing standards.

Balance Sheet Classification of Deferred Taxes

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?

Although the Committee does see that classifying deferred tax as noncurrent is in the Board words "not conceptually pure", the Committee agrees with the proposal.

The Committee feels that the proposal would add consistency to the statement of financial position in that the deferred taxes would be presented in 1 place and not have users refer to various places in the statement. It would also align the FASB positon with that of the IASB on the treatment of deferred taxes.

The Committee mainly services small and medium sized clients. Deferred taxes to these client is mainly a nonconsequential item of the statement of financial position. By moving deferred taxes to noncurrent some members of the Committee fell this would result in a clearer picture of the financial strength of these small and medium sized entities.

The Committee does recommend that the Board as it has stated in paragraph BC7 consider greater disclosure to define the components of deferred taxes for users.

Question 2

Should the proposed guidance be applied on a prospective basis?

The Committee agrees with the reasons stated in paragraph BC12 and thus agrees that the guidance should be applied 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?

The Committee has no concerns about the above referred to effective dates.

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 would be the cost to implement any change at the effective date. The Committee does not believe this would be a significant cost. In terms of ongoing costs the Committee believes any cost savings or increases would be insignificant since the tracking and calculation of deferred taxes will be needed to be done under both the above referred to proposed standard and presently existing income tax standards.

Thank you for allowing us the opportunity to comment on these exposure drafts.

Very truly yours.

Philip B. Pacino, CPA, Chairman
Accounting Principles and
Auditing Procedures Committee
Massachusetts Society of Certified Public Accountants