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Technical Director
Financial Accounting Standards Board
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RE: File Reference No. 2015-270, Proposed Accounting Standards Update, Compensation – Stock Compensation (Topic 718), Improvements to Employee Share-Based Payment Accounting

The Williams Companies, Inc. (Williams) appreciates the opportunity to provide our comments to the Financial Accounting Standards Board (Board) on the Proposed Accounting Standards Update regarding improving the accounting for employee share-based payments. Williams is a public company which, through its subsidiaries, gathers, processes and transports natural gas.

Overall, we appreciate and support the Board's effort to improve the accounting for employee share-based payments. We support eliminating the requirement to track the accumulation of excess tax benefits recorded in additional paid in capital reduced by tax deficiencies to the extent accumulated excess tax benefits exist (referred to as the APIC pool). However, we believe for awards classified as equity that all excess tax benefits and all tax deficiencies should be reflected in equity as additional paid in capital and not within the income statement as proposed by the Board. We believe the accounting for share-based payment awards represents two distinct transactions, that is, a compensatory transaction at the grant date and an equity transaction when an award is exercised or distributed. Since excess tax benefits and tax deficiencies for equity classified awards are driven by changes in the stock price subsequent to the grant date, we believe the income tax impacts of such changes represents an equity transaction. This approach is consistent with not recognizing within the income statement changes in fair value subsequent to the grant date for equity classified awards. In this manner, the income statement impact for employee share-based payments classified as equity awards would be compensation expense measured at the grant date fair value reduced by the income tax benefit on the recognized compensation expense.

We agree with eliminating the requirement that excess tax benefits must be realized through a reduction in taxes payable in the current period before being recognized. The proposal would improve this aspect of the accounting for share-based payments as complexities can arise in determining whether excess tax benefits have been realized and in periodically measuring the amount that should be recognized.

We agree with the Board modifying the current exception to liability classification when an employer uses a net share settlement feature to withhold shares to meet the employer's minimum statutory withholding obligation. Specifically, we support the Board's proposal to permit withholding of shares up to an amount where the value of the shares withheld does not exceed the amount calculated using the maximum individual statutory tax rate in the applicable jurisdictions without resulting in liability classification.

We support the Board's proposal permitting an entity-wide accounting policy election regarding forfeitures to either estimate the effect of forfeitures in the recognition of compensation cost each year or account for forfeitures in compensation cost when they occur. Also, we support the proposals regarding classification of awards with repurchase features to align the classification guidance between put and call rights that are contingent and eliminating the guidance in Topic 718 that was indefinitely deferred shortly after the issuance of FASB Statement No. 123 (revised 2004).

We suggest the proposed practical expedient for private companies regarding estimating the expected term for certain awards also be allowed for public companies. This would reduce the time consuming effort and cost associated with grant date valuation of employee awards and, practically, would not likely have a significant impact on the valuation.

We support the Board's proposed transition requirements for the various proposals.

For all proposals, we believe an effective date immediately upon issuance of an Update is appropriate, as the effort required to adopt the proposed amendments would not be significant and the amendments would be cost beneficial.

We appreciate the opportunity to comment on this matter and would be happy to provide any additional information you may require or discuss our comments further.

Sincerely,

Ted Timmermans
Vice President, Controller and Chief Accounting Officer
The Williams Companies, Inc.