August 14, 2015

Mr. Russell Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

(Sent via e-mail to director@fasb.org)

Re: File Reference No. 2015-270

Dear Mr. Golden:
The International Business Machines Corporation ("IBM" or "the company") appreciates the opportunity to comment on the proposed Accounting Standards Update: Compensation – Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting (the "proposed ASU" or "exposure draft"), issued by the Financial Accounting Standards Board ("FASB").

The company continues to support the FASB in its efforts to simplify U.S. GAAP. We also continue to support the objective of improving disclosures and providing users with more decision useful information. We agree with the simplifications in the proposed ASU except for the proposal to record all excess tax benefits and tax deficiencies in the income statement (the "symmetrical earnings approach"). We believe the Board should pursue a model where all excess tax benefits and tax deficiencies are reflected in equity as additional paid-in capital (the "symmetrical equity approach"). The symmetrical equity approach would eliminate the need to track additional paid-in capital pools and accomplish the Board's simplification objective without adding the complexity of tracking excess tax benefits on an employee-by-employee and grant-by-grant basis. Overall, the Board's symmetrical earnings approach in the exposure draft does not represent a simplification since underlying systems would need to change and new tax complexities would be introduced, as well as volatility in earnings. Therefore the cost to implement this aspect of the exposure draft would likely outweigh the benefits.

See below our responses to specific questions in the proposed ASU.

Question 1: Do you agree that the proposed amendments result in a reduction (or potential reduction) of cost and complexity while maintaining or improving the usefulness of information provided to users of financial statements? If not, why?

Yes, we agree the proposed amendments would result in a reduction of cost and complexity while providing decision useful information to users of financial statements except for the proposed symmetrical earnings approach. As previously mentioned the proposed changes introduce unnecessary complexity and cost for very little benefit.

Question 2: Should excess tax benefits and tax deficiencies be recognized in the income statement? If not, why, and are there other alternatives that are more appropriate? Should an entity delay recognition of an excess tax benefit until the benefit is realized through a reduction to taxes payable? If yes, why?

Excess tax benefits and tax deficiencies should be recognized in equity not the income statement. The granting of an option by an employer and the exercise of that option by the employee represent two transactions. The granting of the option is accounted for as a compensation transaction. The exercise of a stock option by the employee (option holder) represents an equity transaction. The tax impacts (both excess deficiencies and benefits) should also be reflected in equity because they are attributable to an equity transaction. In addition to our comments above the proposed ASU will create a permanent difference in the income tax rate which does not exist today creating a high degree of uncertainty and variability in the rate adding unnecessary complexity. This complexity will not provide users with more decision useful information.

The requirement for an entity to delay recognition until the benefit is realized should be eliminated. Complying with the existing requirement is tedious and challenging to complete within the reporting cycle.

Question 3: Should the effect on tax cash flows related to excess tax benefits be classified as an operating activity on the statement of cash flows? If not, what classification is more appropriate and why?

Yes, we agree all income taxes should be classified as operating in the statement of cash flows.

Question 4: Should entities be permitted to make an accounting policy election either to account for forfeitures when they occur or to estimate forfeitures? If not, why?

Yes, an entity should be permitted to make an accounting policy election to account for forfeitures when they occur or to estimate forfeitures.

Question 5: Is the proposed expansion of the exception to liability classification related to the amount withheld for employee's taxes appropriate? If not, is there another exception that is more appropriate and why?

As described in the basis for conclusions (BC16) we believe it was the board's intent to determine the withholding tax rate at the jurisdiction level. However, the proposed ASU (718-10-18) seems to suggest that the withholding tax rate should be determined by employee. To accomplish simplification, the rate should be determined at the jurisdiction level as many systems cannot accommodate employee level and the guidance should be clarified.

Question 6: Should the cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes be classified as a financing activity on the statement of cash flows? If not, what classification is more appropriate and why?

Yes, cash paid by an employer to the taxing authorities when directly withholding shares for tax-withholding purposes should be classified as a financing activity on the statement of cash flows. Such a transaction in substance reflects a treasury stock purchase where the proceeds of such purchase are remitted directly to the tax authorities on the employee's behalf.

Question 11: How much time will be necessary to adopt the amendments in this proposed Update? Should the amount of time needed to apply the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities?

If a final standard is issued as proposed we would need to update systems, processes, communications, and education. Therefore we believe the effective date should not be before January 1, 2017.

If the Board continues with the symmetrical earnings approach this change should be subject to a more robust process than is normally associated with a simplification project. Further outreach to stakeholders and further education would be important to better understand the cost and complexities of such a significant change.

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact me at (914) 766-2008.

Sincerely,

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