

September 30, 2016

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](mailto:director@fasb.org))

Re: File Reference No. 2016-270

Dear Mr. Golden:

The International Business Machines Corporation (“IBM” or “the company”) appreciates the opportunity to comment on the proposed Accounting Standards Update: Income Taxes (Topic 740): Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes (the “proposed ASU” or “exposure draft”), issued by the Financial Accounting Standards Board (“FASB”). Overall, we are supportive of the project and appreciate the Financial Accounting Standards Board’s (the “Board”) efforts to improve the effectiveness of disclosures in the notes to financial statements. This is a challenging area due to the complexities around the interests of many stakeholder groups.

We support the concept of enhancing and improving disclosure effectiveness. The current state of disclosure requirements in addition to what is projected from the key convergence projects is unsustainable, yet users continue to say they require even more information. We specifically support the concept of limiting the volume of disclosures required when: a) those disclosures overlap with what is required in the Management Discussion and Analysis (“MD&A”), and b) disclosures are not meaningful or significant to an entity’s reported results and financial position (i.e. a checklist based approach to disclosure). We believe that the most effective disclosures are those that provide insight into an entity’s specific circumstances. As a result, we believe that a disclosure framework that allows for judgment in the selection of disclosure elements based on general principles, including materiality, applicable to the entity is the most appropriate approach. In the spirit of balancing decision useful disclosures with the risk of disclosure overload, we would support the Board performing additional investor outreach to understand how investors will use the additional disclosures prior to the issuance of a final standard.

Overall, we are supportive of the proposed ASU with the exception of certain proposed requirements. One area which we believe may provide misleading information is the requirement to disclose the pretax amounts of carryforwards. We recommend that this be eliminated from the proposed ASU and instead, an entity should disclose the amount of deferred tax asset available for loss and credit carryforward (net of valuation allowance). The disclosure of separate federal, state and foreign taxes by year is much more useful when it is reported on a net asset basis since that represents the realizable amount. The ability to utilize a carryforward is dependent on profits, expiration dates and limitations by jurisdiction making disclosure of pretax amounts confusing. The requirement to disclose the pretax amount of loss carryforwards and the tax effected amounts before valuation allowances (including separate federal, state and foreign amounts disaggregated by year during the first 5 years) can be misleading as a state loss carryforward’s value generally varies considerably from jurisdiction to jurisdiction especially due to varying apportionment factors. In addition, providing disclosure split between foreign and domestic should provide users with the appropriate level of detail and, as such, we would recommend removing the requirement for detail at the U.S. state level.

Another area which may provide disclosures which do not provide decision-useful information is the proposal to provide income taxes paid disaggregated by domestic and foreign. The amount of income taxes paid in a given year in any jurisdiction is often not directly correlated to the entity’s current earnings. For example, the amounts paid may be influenced by the settlement of tax litigation or tax audits related to prior years. Additionally, the timing required to make cash tax payments and the source upon which the payment calculations are based vary depending on the tax law of each jurisdiction. In short, cash paid during a fiscal year might be disproportionately higher or

lower than the associated pretax income for many reasons. The disclosure would just raise additional questions requiring further detailed explanation. Providing domestic payments separately from foreign payments could provide a false indication of future cash flows due to items that are disconnected from current period operations. We do not believe this provides improved disclosure over the current requirement to provide aggregate tax payments in the Statement of Cash Flows.

We believe that the proposed requirement to disclose where an entity's cash is held is outside the scope of this ASU. We also do not believe this provides meaningful disclosure. If an entity conducts inter-company cash pooling in a central location for administrative/management purposes, the cash balance in that location (and every other) does not represent a faithful picture of the liquidity of foreign subsidiaries. If the Board ultimately does require this information in the final standard, a definition of "held" needs to be clarified for this situation.

We agree that the final proposed disclosures should be required only for the reporting year in which the requirements are effective and thereafter. The guidance should be issued with ample time prior to the effective date for preparers to obtain the necessary data for compliance and the guidance should not be required for interim periods.

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact me at (914) 766-2477.

Sincerely,

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