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New York, NY 10004

## Morgan Stanley

September 30, 2016

Ms. Susan Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
P.O. Box 5116  
Norwalk, CT 06856-5116

**Re: File Reference No. 2016-270-Income Taxes (Topic 740): Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes**

Dear Ms. Cospers:

Morgan Stanley appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Income Taxes (Topic 740): Changes to the Disclosure Requirements for Income Taxes* (the “ASU”). We are supportive of the efforts of the FASB (“the Board”) in its initiative to enhance the effectiveness and consistency of disclosures included in the financial statements.

Although we support the majority of the proposed changes, we do have reservations regarding one such change and have responded to the questions for that item below. We also seek some additional clarification as described below.

**Question 1:** Would the proposed amendments result in more effective, decision-useful information about income taxes? Please explain why or why not. Would the proposed amendments result in the elimination of decision-useful information about income taxes? If yes, please explain why.

**Response:** We agree that the proposed amendments would result in more effective, decision-useful information about income taxes, with one exception. However, we do not believe that the requirement for regulated financial services companies to disclose the aggregate of cash, cash equivalents and marketable securities held by their foreign subsidiaries would provide effective, decision-useful information about income taxes. In the ordinary course of business, the amount of cash, cash equivalents and marketable securities owned by the foreign members of a regulated financial services company group can fluctuate significantly on a daily basis. As a result, we request that regulated financial services companies not be required to disclose the amount of cash, cash equivalents and marketable securities held by their foreign subsidiaries, as we do not believe this information will be useful to the readers of the financial statements at a point in time.

Alternatively, if the Board does decide to require such disclosure, we request that the scope of the disclosure be limited to those foreign subsidiaries that have earnings for which an indefinite reinvestment assertion has been made. In addition, we request that the Board define the term foreign subsidiary, e.g., by reference to a separate legal entity that is classified for U.S. tax purposes as (i) a non-U.S. partnership, (ii) non-U.S. corporation or (iii) an entity that is disregarded as separate from a non-U.S. partnership or non-U.S. corporation.

In addition to the exception above, we also request that the Board provide clarification on the following items:

1. The proposed amendment requiring “*disclosure of the amounts of federal, state, and foreign carryforwards (not tax effected) by time period of expiration...*” Please clarify the scope of this requirement to confirm whether it is intended to apply to net operating losses as well as excess tax credit carryforwards (e.g., excess U.S. foreign tax credits, U.S. general business tax credits, etc.).
2. The proposed amendment requiring a company to “*disclose the description of a legally enforceable agreement with a government...and the amount of benefit that reduces, or may reduce, its income tax burden. Under those agreements, the government determines whether an entity will receive assistance or how much assistance an entity will receive even if the entity meets applicable eligibility requirements.*” Please clarify the scope of this requirement to confirm whether it includes (i) investments in qualifying projects that generate U.S. general business tax credits for which a government authority determines the aggregate allocation of the tax credits among eligible entities or (ii) a private letter ruling issued by the U.S Internal Revenue Service or similar guidance from another government authority. We believe that such items should be appropriately excluded from the proposed disclosure requirement.

**Question 5:** The Board considered several disclosures on indefinitely reinvested foreign earnings (see paragraphs BC27–BC40 of this proposed Update). Is there other information that the Board should consider regarding these potential disclosures? Are there other disclosures about indefinitely reinvested foreign earnings that would be more cost beneficial?

**Response:** We agree with the Board’s current position in its decision to remove the requirement for additional disclosure of indefinitely reinvested foreign earnings by country. Such disaggregation could involve a significant amount of judgment as different companies may use a different basis in preparing this disclosure. Therefore, we believe additional disclosures on indefinitely reinvested foreign earnings would not be helpful to the readers of the financial statements.

**Question 9:** Should the proposed disclosures be required only for the reporting year in which the requirements are effective and thereafter or should prior periods be restated in the year in which the requirements are effective? Please explain why.

**Response:** We believe the proposed disclosures should only be required for the reporting year in which the requirements are effective and thereafter. Applying the requirements to prior periods would involve a significant additional effort without providing a corresponding benefit to users of the financial statements. For example, information pertaining to the annual reconciliation of the total amounts of

unrecognized tax benefits settled or to be settled against deferred tax assets could be difficult to obtain in prior years.

**Question 10:** How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? If the answer is yes to either question, please explain why.

**Response:** We believe the standard should be required to be implemented no sooner than for periods beginning after December 15, 2016.

Again, we thank you for the opportunity to provide comments. Please contact me at 212-276-7824 or Eric McGuinn at 917-260-0428 if you have any questions.

Sincerely,

A handwritten signature in blue ink that reads "G. David Bonnar". The signature is written in a cursive, flowing style.

G. David Bonnar  
Managing Director  
Global Advisory and Policy