Jeanette L. Ourada
Vice President and Comptroller

September 30, 2016

Via email to director@fasb.org

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

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

Chevron Corporation (Chevron) appreciates the opportunity to provide comments to the Financial Accounting Standards Board (the "Board") regarding the proposed Accounting Standards Update, *Income Taxes (Topic 740), Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes* (the "proposed ASU").

Chevron is one of the world's leading integrated energy companies. Through its subsidiaries that conduct business worldwide, the company is involved in virtually every facet of the energy industry. Chevron explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and lubricants; manufactures and sells petrochemicals and additives; generates power and produces geothermal energy; and develops and deploys technologies that enhance business value in every aspect of the company's operations.

Overall, Chevron supports the Board's disclosure framework objective to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of information that is most important to financial statements users. However, we are concerned that the continual expansion of disclosure requirements proposed by the Board and by the Securities and Exchange Commission is increasing the complexity of disclosures, and adding to disclosure overload and the cost of compliance, while offering limited benefits to the reasonable investor.

Our detailed comments to selected questions posed by the Board in the proposed ASU are included in the attached Appendix.

We trust our comments are helpful to the Board in determining next steps for the project. If you have any questions on the content of this letter, please contact Al Ziarnik, Assistant Comptroller, at (925) 842-5031.

Sincerely,

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Appendix – Responses to Selected Questions

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.

We believe several of the proposed amendments are not decision-useful and/or are duplicative of information provided elsewhere in a company's reporting, as discussed below. We have segregated each of our comments according to the applicable paragraph in the proposed ASU.

Paragraphs 740-10-50-6A(a) and (b)
Chevron believes the added requirements to provide amounts of federal, state and foreign carryforwards and related deferred tax assets, with the time period of expiration, will result in a significant amount of additional work for financial statement preparers without providing any significant benefit to financial statement users. We believe the current requirements in paragraph 740-10-50-3 provide financial statement users with sufficient information on an entity's loss carryforwards and expiration dates. It is our understanding that this proposed dual requirement of both loss carryforwards and associated deferred tax assets is in reaction to a lack of reporting consistency among financial statements preparers of the current paragraph 740-10-50-3 requirement. Rather than adding an additional reporting burden, we recommend the Board clarify that the loss carryforwards disclosure should reflect the amount on the tax return, and not the associated deferred tax asset. Also, we do not believe the requirements to provide loss carryforwards and deferred tax assets by year of expiration for five years, and then in five-year tranches thereafter, will help improve the analysis performed by financial statement users.

Paragraph 740-10-50-22
The proposed requirement provides that enacted changes in tax laws that are probable to have an effect on the reporting entity in a future period be disclosed. In accordance with SEC regulations, changes in tax laws that are reasonably expected to have a material effect on a company's results must already be disclosed in Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) (see 17 CFR 229.303(a)(3)). We believe the Board should remain focused on requiring principle-based disclosures in financial reporting rather than mandating prescriptive requirements. Prescriptive disclosure requirements are often less informative than principles-based disclosures given that they eliminate management's ability to present only that information which is most relevant and material to investors. We believe companies remain in the best position to make the determination of what is material to their business. Specifically, we do not understand why a disclosure of enacted changes in tax laws is more relevant than other changes in government laws and regulations that might have a material effect on a company's results.

Paragraph 740-10-50-23
The proposed requirement to disclose a description of legally enforceable agreements with a government that reduce, or may reduce, an issuer's income tax burden places companies subject to the requirement at a competitive disadvantage to companies not subject to it without any discernable benefit to investors. Disclosure may violate the agreements and/or non-U.S. laws, potentially subjecting the disclosing parties to legal liability and sanctions. Moreover, the disclosure requirement dis-incentivizes governments from entering into new agreements with companies subject to it.

The terms and conditions of government assistance agreements are established through private commercial negotiations between companies and their government counterparties. Governments are justifiably reluctant to disclose the terms of incentive packages publicly because this information could be used to the governments' detriment in future negotiations. Recognizing this commercial reality, the agreements often contain confidentiality restrictions and/or are subject to laws prohibiting disclosure to third parties. Because of the commercial benefits of confidentiality, governments would have an incentive to avoid negotiations with companies that are subject to a disclosure requirement, putting U.S. companies subject to the requirement at a significant disadvantage to their non-U.S. competitors.

Material information regarding expected income tax burden necessary for a reasonable investor to make an informed investment decision in a company is already available to investors: the potential benefit to investors of the proposed disclosure is therefore speculative at best. By contrast, the immediate competitive harm to U.S. companies from the proposed disclosure requirement is evident. For these reasons, the disclosure requirement should not be adopted.

Paragraph 740-10-50-24
Although we do not have objections to providing the aggregate of cash, cash equivalents and marketable securities of our foreign subsidiaries, we view this disclosure as providing little, if any, value to financial statement users. Note we would have significant concerns if these cash balances were required to be reported on a more granular basis (e.g., by country). Such granular information would be of little use to financial statement users and, in fact, could be misleading as these assets are often not available to be distributed.

Paragraph 740-10-50-25
The proposed requirement provides for income taxes paid to be disaggregated between domestic and foreign, and for the amount of income taxes paid to any country that is significant to total income taxes paid to be disclosed. This requirement closely parallels those included in various revenue transparency regulations applicable to energy companies, including Section 1504 of the Dodd-Frank Act. While these requirements are intended to provide more insight into payments made to governments and are intended to serve other stakeholders, we do not believe they are beneficial to a reasonable investor or financial statement user. We believe the current requirement in ASC 230-10-50-2 to disclose aggregate income tax payments is the appropriate level of information for these users.

Additionally, the various revenue reporting regulations have generally acknowledged the complexity of gathering and reporting this disaggregated information of cash payments and have typically allowed 150 days following the annual reporting period for the filing of such reports. Reporting this information within the 60-day filing period for the Form 10-K or 30-day period for the Form 10-Q is not practicable.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

Paragraph 740-10-50-23 The proposed requirement to disclose the description of any legally enforceable agreement with a government that reduces, or may reduce, an issuer's income tax burden is very broad

in scope and will reach agreements and data which are not typically centralized and may be spread across many different departments, subsidiaries and countries. This effort will likely require a substantial commitment of company resources for a large multinational company, such as Chevron, to implement and to monitor. The complexities and interpretation required to determine if a particular agreement qualifies for disclosure and the comparability across companies within the industry is also a concern. Additionally, many factors are considered when negotiating such contracts with governments and making such terms public could be competitively harmful. The type of information required to be disclosed is not typically available on an automated basis and will likely require considerable manual effort and additional resources to track for disclosure purposes. To ensure completeness, new reporting controls, processes and systems would likely need to be established, as well as employees educated on the new reporting requirement and the controls and processes that have been implemented to collect and monitor the information.

Paragraph 740-10-50-25

The Board's assumption in BC21 that since income taxes paid is required for the current disclosure requirements, "entities could provide that disclosure at a country-level amount at a relatively low cost," is not necessarily correct. For instance, the company is still working to determine how to efficiently capture this information for the various revenue transparency regulations applicable to our industry, including Dodd-Frank Section 1504. This effort has already taken significant time and resources and will require changes to our financial reporting systems. As noted earlier, the practicability of providing this information within the normal filing periods for annual and quarterly reporting is also of significant concern.

Question 4: The Board is proposing that reporting entities disclose income taxes paid for any foreign country that is significant to total income taxes paid. The Board also considered requiring disclosure by significant country of income (or loss) from continuing operations before income tax expense (or benefit) and income tax expense (or benefit) from continuing operations but decided that this disclosure would be costly and potentially not beneficial in assessing prospects for cash flows related to income taxes (see paragraph BC22 of this proposed Update). Are there other costs or benefits that the Board should consider regarding these potential disclosures? Are there other country-level disclosures that the Board should consider that may be more cost beneficial?

Paragraph 740-10-50-25

This proposed disclosure requires financial statement preparers to report cash income taxes paid by country if significant to total income taxes paid. Such an amount would be totally out of context without also disclosing the revenues, expenses, tax rates and other income tax information for the country. However, if this additional information were disclosed, it could potentially cause competitive harm to an entity.

Additionally, we believe providing such expanded income tax information by country provides little if any benefit to the reasonable investor or financial statement user.

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.

The proposed disclosures should only be required for the reporting period in which the requirements are effective. The restatement of prior periods would require a significant effort by financial statement preparers for little, if any, benefit to financial statement users.

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.

The time required will be dependent on the requirements of the final ASU. Some of the requirements, as currently proposed, could be readily developed and implemented fairly quickly (e.g., income (or loss) and income taxes from continuing operations disaggregated between domestic and foreign, and the disclosure of reconciling items more than 5% in the ETR table). However, other requirements, such as income taxes paid disaggregated between foreign and domestic, and specific payment amounts by country that are significant to total income taxes, may require system changes which could take a significant amount of time to program and implement.

Other Comments:

Paragraph 740-10-50-6A(c)
Chevron believes that disclosing the total amount of unrecognized tax benefits that offsets the deferred tax assets for carryforwards does not provide any incremental benefit to assist financial statement users in their analysis of an entity's income taxes. The UTB detail currently provided pursuant to paragraph 740-10-50-15A provides sufficient information for the reasonable investor to make informed investment decisions.

Paragraph 740-10-50-15A(a)(3)
A requirement has been added to disclose within the reconciliation of the total amounts of unrecognized tax benefits (UTBs) at the beginning and end of the period, settlements using existing deferred tax assets separate from those that have been *or will be* settled in cash. We do not understand the concept of determining whether a UTB *will be* settled in cash, and we would appreciate clarification from the Board on this issue. If the "will be" comment is just meant to cover timing issues between when a taxpayer agrees with a taxing authority as to the settlement of a UTB, and the ultimate cash or tax attribute settlement of that UTB, it may not be known at the time of agreement on what basis that UTB will be settled.

Paragraph 740-10-50-15A(c)
The proposed requirement to disclose the line items in the statement of financial position in which the unrecognized tax benefits (UTBs) are presented, the related amounts of such UTBs, and the amounts of

UTBs that are not presented in the statement of financial position, is not necessary for a reasonable investor to make informed investment decisions in a company. The tabular disclosure required by ASC 740-10-50-15A is sufficient for financial statement user analysis and was in response to users requesting more information about a company's uncertain tax positions, in addition to guarding against providing information that could be prejudicial to financial statement preparers. Furthermore, we strongly recommend the Board not amend this in a final rule to require any additional UTB detail, such as at the country level. As the Board indicated in paragraph BC48 of the proposal, "preparers noted that the disclosures would provide taxing authorities with prejudicial information."

Paragraph 740-10-50-15(d)

Chevron strongly agrees with the proposed deletion of the current requirement to disclose the nature and estimate of the range of reasonably possible changes in UTBs in the next 12 months. It is impossible in most cases for a financial statement preparer to know with any degree of certainty the likelihood of movements in UTBs over any particular period. Such movements are often related to the actions of taxing authorities and court systems throughout the world, which are difficult, if not impossible, to predict with any degree of accuracy.