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Via email

Russell G. Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, Connecticut 06856-5116

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

Dear Mr. Golden:

Wells Fargo & Company (Wells Fargo) is a diversified financial services company with over \$1.9 trillion in assets providing banking, insurance, investments, mortgage, and commercial and consumer finance services. We appreciate the opportunity to comment on the FASB's Proposed Accounting Standards Update: *Income Taxes (Topic 740) - Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes* ("The Proposal").

We support the Board's efforts in its disclosure framework project to improve the effectiveness of disclosures required by generally accepted accounting principles in the notes to financial statements. We believe, however, that the income tax area is already subject to extensive disclosure requirements and note that the Proposal will add incremental disclosures in this area and may result in disclosure overload without adding meaningful information.

We have the following specific comments on the Proposal:

- Description of an enacted change in tax law that is probable to have an effect on the reporting entity in a future period. Wells Fargo is a global financial services company operating in all states and numerous foreign countries. ASC 740 currently requires effects of law changes to be recorded in the period of enactment. Determining whether it is probable that an enacted change in tax law will have a future impact would require substantial estimates and modeling based on a number of assumptions to determine and evaluate the potential impacts. There would be substantial costs and time involved in preparing the various hypothetical scenarios, including our external auditors review. Given there are numerous changes that take place in the various taxing

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jurisdictions each quarter, we believe clarification regarding the application of materiality to these numerous changes is needed. We believe that existing disclosure requirements for enacted tax law changes are adequate, without additional “probable” enactments of tax law.

- The aggregate of cash, cash equivalents, and marketable securities held by foreign subsidiaries. The goal of this disclosure appears to provide some transparency into the liquidity of foreign subsidiaries. However, complexities related to indefinite reinvestment assertions of different foreign subsidiaries may potentially lead to incorrect assumptions regarding the amount of cash available to be repatriated. In addition, for financial institutions, because the value of our liquid assets can fluctuate significantly from day-to-day, the benefit of this disclosure in assessing cash flow may be diminished. As such, we believe this disclosure may provide a false impression related to the liquidity of our foreign subsidiaries.
- Income (or loss) from continuing operations before income tax expense (or benefit) separated between domestic and foreign. This information is not directly related to income tax disclosures and we do not believe they should be included in this section of financial statements. If the Board determines that this information is required, we believe reporting it in a non-income tax footnote would be better presentation.
- The Proposal would require an entity to disclose the description of a legally enforceable agreement with a government, including the duration of the agreement and the commitments made with the government under that agreement and the amount of benefit that reduces, or may reduce, its income tax burden. This requirement would potentially impact the ability of Wells Fargo to settle tax matters with various government agencies. Many of these settlements and agreements are confidential and conform or clarify treatment under existing tax laws. Agreements with confidentiality restrictions should be explicitly removed from the scope of the proposed disclosures. Additionally, disclosure of agreements would require substantial explanation and context for a reader to be able to understand the impact, which adds significant costs and volume of information in the notes.
- Disclosures related to unrecognized tax benefits. We believe the proposed disclosures do not provide additional meaningful or useful information to the financial statement reader. Specifically, disclosure of the pre-tax amounts of state tax loss carryforwards can be misleading because the carryforward’s value can vary significantly depending on the apportionment of losses to each state, as well as differences in the specific jurisdictional statutes and rules regarding how the carryforwards are determined. We are also concerned that disclosure of both the pre-tax amount of the loss carryforwards and the tax effected amounts disaggregated between federal, state and foreign for a five year period will add significant duplicative information to the footnotes that is not decision useful for financial statement users. The current disclosures provide users with appropriate information to understand the potential financial statement impacts of unrecognized tax benefits. Finally, we agree with the proposal to eliminate the

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requirement for all organizations to disclose (1) the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months or (2) make a statement that an estimate of the range cannot be made.

We believe that existing disclosure requirements around income taxes are broadly understood by preparers and effectively utilized by financial statement users. We would not recommend that the proposed disclosure changes be adopted, particularly those related to “probable” enacted tax law, foreign subsidiaries disclosures, legally enforceable agreements with a government, and unrecognized tax disclosures. We believe such disclosures would increase costs to develop and track additional information with limited benefits to users. If the Board’s changes are adopted, we recommend prospective application of the proposed guidance to allow preparers to gather the information for these disclosures.

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We appreciate the opportunity to comment on the Proposal and are willing to work with the FASB as you proceed with further deliberations on the topic. If you have any questions, please contact me at 415-222-3119 or Mario Mastrantoni at 704-383-9678.

Sincerely,

/s/ Richard D. Levy

Richard D. Levy
Executive Vice President & Controller