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August 28, 2017

Via email to [director@fasb.org](mailto:director@fasb.org)

Susan M. Cospers  
Technical Director  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: Technical Corrections and Improvements to Topic 995, U.S. Steamship Entities (File Reference No. 2017-250)

Dear Ms. Cospers:

We are pleased to provide comments on the proposed corrections and improvements to Topic 995, U.S. Steamship Entities.

BDO supports the Board's Simplification Initiative to maintain or improve the usefulness of the information provided to users of financial statements while reducing cost and complexity for financial reporting. We believe the proposal would help achieve this initiative by eliminating guidance that is no longer relevant.

Our responses to the Board's specific questions are provided in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Yosef Barbut at (212) 885-8282 or Adam Brown at (214) 665-0673.

Very truly yours,

A handwritten signature in black ink that reads "BDO USA, LLP". The letters are written in a cursive, slightly slanted style.

BDO USA, LLP

## Appendix

**Question 1: Do you agree that the guidance in Topic 995 is no longer relevant and should be superseded?**

Yes, we agree that the guidance in Topic 995 is no longer relevant and should be superseded.

**Question 2: Do you agree that all entities that may have unrecognized deferred taxes related to statutory reserve deposits made on or before December 15, 1992, should recognize those deferred taxes in accordance with Topic 740 if they are not already doing so? If not, why not?**

Yes. Unused statutory reserve deposits existing as of the end of 2017 will no longer benefit from the tax exemption that was afforded them when the deposits were originally funded and, therefore, should have a corresponding tax effect recognition. Under the relevant tax law, these amounts are subject to the tax on nonqualified withdrawals under IRC section 7518. When the amounts are withdrawn from the reserve, they will be subject to tax at the highest statutory rate. These deposits would be considered taxable temporary differences, albeit the timing of when the tax is incurred will depend on when the funds are withdrawn.

Therefore, entities that have unrecognized deferred taxes related to statutory reserve deposits made on or before December 15, 1992 should recognize deferred taxes in accordance with Topic 740.

**Question 3: The amendments in this proposed Update would require an entity that is required to recognize previously unrecognized deferred income taxes as a result of the proposed amendments to disclose the types of temporary differences for which a deferred tax liability had not previously been recognized. Do you agree with this disclosure? If not, why not?**

It is not clear why the FASB is proposing a new disclosure as part of this proposed ASU or where in Topic 740 it is being proposed (e.g., is it going to be added in ASC 740-10-50?). We note that the FASB is currently evaluating income tax disclosures as part of its disclosure effectiveness initiative and; therefore, we believe it would be more appropriate to address this new proposed disclosure as part of that on-going project. Furthermore, we note that a similar disclosure already exists in subtopic 740-30.

**Question 4: Should the board require all entities with statutory reserves made on or before December 15, 1992 to adopt the proposed amendments upon issuance of the final Update? If not, why not?**

Yes. We believe the proposed amendments are administrative and steamship entities would be required to recognize deferred tax on deposit reserves made on or before December 15, 1992 under general ASC 740 principles without regard to the adoption date.