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reinvested earnings. Subsequently, as detailed rules on the computation of the tax become available and can be applied to the company's tax profile, the amount could be refined as a change in estimate.

Disclosure

A fundamental change to the basis on which companies are taxed would have a pervasive impact on their financial results. The nature of disclosures about these changes will depend on the degree to which the above discussed topics result in a change in accounting treatment. Regardless of whether there are associated accounting changes required, such changes are likely to affect both current disclosures such as the reconciliation of the effective tax rate and the amount of indefinitely reinvested earnings as well as the direction of disclosure changes currently under consideration.

Implications to consider:

The Board may wish to consider revisiting current and potential disclosure rules in light of a reformed tax system.

Summary

We believe that engaging in dialogue with interested parties in order to obtain feedback on the questions and implications discussed above will be invaluable in assisting the Board in participating effectively in the process that is to come. We believe that this feedback should be gathered on an expedited basis given the possibility of tax reform in the near term that could result in major changes to the tax system. In addition to outreach to U.S. preparers and users, we believe that the Board would benefit from outreach with other key stakeholders to understand the impact in other countries that have had major changes in the basis of taxation.

Given the strong likelihood of tax changes in some form both in the U.S. and in other jurisdictions, we expect that companies are actively investigating the consequences and are forming opinions on the financial reporting effects. It will be important to improve the clarity of the accounting implications so that stakeholder positions are informed by the potential financial reporting effects. For the U.S., this resulting tax regime could be very different than the current worldwide income tax model.

Members of our Committees stand ready to make our experts available to speak with the Board at your earliest convenience.

Sincerely,

Committee on Corporate Reporting
Financial Executives International

Committee on Taxation
Financial Executives International