Massachusetts Bankers Association

December 19, 2017

Mr. Russell G. Golden
Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

RE: Accounting for Income Tax Rate Changes in Tax Reform

Dear Chairman Golden:

On behalf of the Massachusetts Bankers Association (MBA), which represents approximately 150 commercial, savings and cooperative banks and savings and loan associations with 69,000 employees throughout Massachusetts and New England, I seek your assistance in addressing the unintended consequences created by the pending tax reform legislation's impact on the accounting treatment for tax deferred assets and liabilities originated through accumulated other comprehensive income (AOCI).

While the impact of some tax provisions may not be known for years, the impact on deferred tax assets/liabilities is immediate and must be addressed by year-end 2017 if tax reform is enacted this year. Without a remedy, banks would need to adjust certain deferred tax assets/liabilities that are currently reflected in AOCI through current earnings to account for the new tax rate. We believe this needlessly results in a mismatch, whereby tax adjustments on AOCI items will be reflected in current earnings, although the originating tax effects were recorded in AOCI and will remain there until disposition of the related asset or liability. We believe this will be confusingly misrepresentative to investors and the general public. Further, tracking and reporting the deferred tax assets and liabilities that remain in AOCI at the old rate will require unnecessary complexity, which will be particularly onerous for the vast majority of community banks.

In Massachusetts, nearly 70 percent of the banks are mutual in governance form (i.e., non-stock institutions). While the deferred tax asset/liability issue is problematic for all banks, it could particularly affect mutual banks (non-stock institutions) that are sometimes "scored" by independent rating agencies utilizing very cursory analytics: often for marketing purposes.

As an organization that works closely with a number of national groups, we strongly support the letter dated December 13, 2017 from the American Bankers Association sent to you by Michael Gullette which recommends that FASB allow "backwards tracing" of all deferred tax assets and liabilities to resolve this unintended problem, and other items that would be confusing to investors and burdensome for the industry. We realize the timing of this issue is short and would urge your action before year-end 2017.

Thank you for your consideration of our views. In the meantime, please let me know if you have any questions.

Sincerely,

Daniel J. Forte
President and CEO

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