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January 31, 2018

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

Via email to director@fasb.org

Reference: File Reference No. 2018-210, Proposed Accounting Standards Update – Income Statement - Reporting Comprehensive Income (Subtopic 220)*: Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*

Dear Ms. Cosper:

Freddie Mac appreciates the opportunity to comment on the Exposure Draft for the proposed Accounting Standards Update of Subtopic 220, Income Statement – Reporting Comprehensive Income (the "proposed Update").

We support the Board's objective to address the accounting consequences of the stranded tax effect in accumulated other comprehensive income from the newly enacted federal corporate tax rate in An Act to Provide for Reconciliation Pursuant to Titles II and V of the Concurrent Resolution on the Budget for Fiscal Year 2018 ("the Tax Cuts and Jobs Act of 2017"). Further, we support the Board's conclusions that the stranded tax effects in accumulated other comprehensive income should be reclassified to retained earnings.

However, we observe that the proposed amendments to Subtopic 220 that provide this guidance specifically reference, and limit the guidance, to the effects of the Tax Cuts and Jobs Act of 2017. The issue of stranded tax effects of enacted tax rate changes exists every time statutory tax rates are changed. The existing guidance in Subtopic 220 does not provide a principle or guidance on how the stranded tax effects in accumulated other comprehensive income from tax rate changes should be addressed. We believe the principle articulated in the proposed Update should be relevant to all enacted tax rate changes, rather than limiting the guidance to the tax rate changes in the Tax Cuts and Jobs Act of 2017. We suggest the Board consider revising the guidance in the proposed Update to retain the articulated principle without limiting the guidance to a single tax law change.

Further, we request that the board reconsider the conceptual merit of recognition of deferred taxes on unrealized gains and losses recognized in other comprehensive income. Deferred tax items created by unrealized gains and losses recognized in other comprehensive income represent amounts that were never recognized in net income for book purposes or taxable income for tax purposes, so they do not represent a temporary difference that will reverse in the future. Recognition of deferred taxes on these unrealized gains and losses introduces significant complexity in accounting and financial reporting that could be avoided or minimized by not recognizing such deferred tax amounts.

The views expressed in this comment letter are solely those of Freddie Mac, and do not purport to represent the views of the Federal Housing Finance Agency as our Conservator.

If you have any questions about our comments, please contact Timothy Kviz (703-714-3800).

Sincerely,

Timothy Kviz

Timothy Kviz

Vice President – Accounting Policy and External Financial Reporting

cc: Mr. James G. Mackey, Executive Vice President - Chief Financial Officer
Mr. Robert D. Mailloux, Senior Vice President – Corporate Controller and Principal Accounting Officer
Mr. Nicholas Satriano, Chief Accountant, Federal Housing Finance Agency