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Via Email to director@fasb.org

Re: File Reference No. 2018-210

Dear Ms. Cospers:

Grant Thornton LLP appreciates the opportunity to comment on the proposed ASU, *Income Statement – Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. We support the Board's efforts to address the practice issues arising from the application of ASC 740, *Income Taxes*, to the provisions of the recently enacted tax law and tax rate changes.

Our responses to the questions for respondents are as follows:

Question 1: Do you agree with the amendments in this proposed Update that would require a reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate? If not, why?

Yes, we agree with the requirement to reclassify the stranded tax effects resulting from the newly enacted federal corporate income tax rate from accumulated other comprehensive income to retained earnings. However we propose that the Board should consider making the guidance a practical expedient that entities choose to apply rather than a requirement for all entities. We understand that for certain entities the exercise of calculating the reclassification adjustment would not be cost beneficial and since this reclassification is only a one-time expedient they may wish to not apply the guidance.

Question 2: Are the transition requirements appropriate? If not, what transition approach is more appropriate and why?

Yes, we agree with the transition requirements that require the reclassification from accumulated other comprehensive income to retained earnings to be applied retrospectively to each period (or periods) in which the effect of the change in the newly enacted federal corporate income tax rate is recognized.

Question 3: Do you agree that early adoption should be permitted?

Yes, we agree that early adoption of the amendments in this proposed ASU should be permitted.

Question 4: Do you agree with the proposed effective date? If not, what effective date is more appropriate and why?

We agree with the proposed effective date. However we believe that the Board could consider changing the effective date to fiscal years and interim periods *ending* after December 15, 2018, from the currently proposed date of fiscal years *beginning* after December 15, 2018 and interim periods within those fiscal years. We believe that an effective date for periods *ending* after December 15, 2018 (which is earlier than the proposed effective date) would be appropriate considering that all entities (including those that apply the measurement period guidance in SEC Staff Accounting Bulletin 118), would have already recognized the effects of the change in the newly enacted federal corporate income tax rate by the time financial statements for a reporting period that includes the one-year anniversary of enactment date are issued (or are made available for issuance).

Question 5: GAAP generally prohibits *backwards tracing*, which is the process of recognizing the effects of changes in deferred tax amounts in the current year in the same line item in which the deferred tax amounts were originally recognized (for example, other comprehensive income) in prior years. The Board did not allow backwards tracing as part of this project and is currently researching the merits of a broader project on backwards tracing. Should the Board add a broader project on backwards tracing to its active agenda? If so, why? Additionally, should the following alternatives to backwards tracing be considered in that broader project? If so, why?

- a Accounting for the release of the stranded tax effects from accumulated other comprehensive income**
- b Reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects associated with prior changes in other tax rates (for example, state and local taxes)**
- c Reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects associated with all future changes in tax rates.**

Yes, we believe that the Board should add a broader project on backwards tracing to its agenda. However, we believe that such project should not be limited to the accounting for subsequent effects of changes in deferred tax amounts that were initially recognized through equity. The project should instead consider subsequent effects of changes in all deferred tax amounts that were not initially recognized through income tax expense (benefits) from continuing operations, such as deferred tax amounts related to business combinations and discontinued operations.

We believe that a broader project on backwards tracing will help the Board in (1) clarifying whether the economics of a tax rate change or a tax law change should be reflected in the same line item they were originally recorded, and (2) may result in convergence with IFRS.

If the broader project is decided by the Board to be limited to the accounting for subsequent effects of changes in deferred tax amounts that were initially recognized through equity, we believe that the Board should consider alternative (a) listed in question 5, in addition to requiring backwards tracing. We believe that alternative (b) and alternative (c) listed in question 5 are a subset of alternative (a) and therefore if the Board tentatively decides to require alternative (a), instead of requiring backwards tracing, the Board should further consider whether the requirement to reclassify should be applied to all prior and future changes in tax rates or only to future changes in tax rates. In addition, we believe that the Board should consider whether changes in tax laws should also be included within the scope of the broader project or should the broader project be limited to the changes in tax rates.

We would be pleased to discuss our comments with you. If you have any questions, please contact Lynne Triplett, Partner at 312 602 8060, lynne.triplett@us.gt.com or Rahul Gupta, Partner at 312 602 8084, rahul.gupta@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP