



February 2, 2018

Technical Director, File Reference No. 2018-210
Financial Accounting Standards Board
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File Reference No. 2018-210

Thank you for providing us the opportunity to respond to the proposed Update, *Income Statement—Reporting Comprehensive Income (Topic 220), Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*.

Our firm works with clients throughout the Northeast United States, many of which have accumulated other comprehensive income. We support the issuance of the proposed Update to address the stranded tax effects as an improvement in the ongoing financial reporting of public and non-public businesses.

With regards to your specific questions:

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?*

We agree with the amendments in this proposed Update for the reasons cited in the Basis for Conclusions.

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

We agree that the transition requirements are appropriate.

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

We are very much in favor of early adoption so that the reclassification can coincide with the recognition of all other deferred tax effects resulting from the Tax Cut and Jobs Act of 2017 for calendar year companies.

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

We believe the proposed effective date is appropriate.

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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.*

In general, we support backwards tracing because the effect could represent a significant portion of businesses' deferred income taxes.

We appreciate the opportunity to provide feedback to the Board on this issue.

Very truly yours,

Baker Newman & Noyes LLC

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