



February 2, 2018

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

File Reference No. 2018-210

The Accounting Principles Committee of the Illinois CPA Society (“Committee”) appreciates the opportunity to provide its perspective on the Proposed Accounting Standards Update (“ASU”), *Income Statement Reporting Comprehensive Income (Topic 220): Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*. The Committee is a voluntary group of CPAs from public practice, industry and education. Our comments represent the collective views of the Committee members and not the individual views of the members or the organizations with which they are affiliated. The organization and operating procedures of the Committee are outlined in Appendix A to this letter.

The Committee supports the Board’s proposed amendments.

We have provided our responses to specific questions raised in the proposed ASU below.

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?*

Response: We agree with the amendments in the proposed Update to require reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects resulting from the newly enacted federal corporate income tax rate. However, we believe the Board should consider making the proposed amendments optional, because the proposed amendments allow near-term relief for entities, pending a potential broader project on backwards tracing, and the cost of implementing the proposed amendments might outweigh the benefits for some entities.

We also believe the proposed guidance should be amended to include the indirect tax effects from the newly enacted federal corporate income tax rate; for example, decreases in the federal tax benefit expected from future deductible state and local taxes included in accumulated other comprehensive income.

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

Response: We believe the proposed transition method, as written, is appropriate.

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

Response: We agree early adoption should be permitted.

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

Response: We agree with the proposed effective date.

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.*

Response: We believe the Board should add a broader project on backwards tracing to its active agenda for the same reasons the Board is considering this Update as outlined in paragraph BC7. We believe the Board should consider, but not limit itself to, all of the alternatives listed above, but we also believe the Board should carefully consider the costs and benefits associated with any proposed reclassification from accumulated other comprehensive income to retained earnings for stranded tax effects associated with changes in tax rates.

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We appreciate the opportunity to provide our comments and observations on the proposed ASU and would be pleased to discuss them with the Board members or the FASB staff at your convenience.

Sincerely,

Ryan Brady, CPA
Chair, Accounting Principles Committee

Brian Kot, CPA
Vice Chair, Accounting Principles Committee

APPENDIX A
ACCOUNTING PRINCIPLES COMMITTEE
ORGANIZATION AND OPERATING PROCEDURES
2017-2018

The Accounting Principles Committee of the Illinois CPA Society (Committee) is composed of the following technically qualified, experienced members appointed from industry, education and public accounting. These members have Committee service ranging from newly appointed to more than 20 years. The Committee is an appointed senior technical committee of the Society and has been delegated the authority to issue written positions representing the Society on matters regarding the setting of accounting standards. The Committee's comments reflect solely the views of the Committee and do not purport to represent the views of their business affiliations.

The Committee usually operates by assigning Subcommittees of its members to fully study and discuss exposure documents proposing additions to or revisions of accounting standards. The Subcommittee ordinarily develops a proposed response that is considered, discussed and voted on by the full Committee. Support by the full Committee then results in the issuance of a formal response, which at times includes a minority viewpoint. Current members of the Committee and their business affiliations are as follows:

Public Accounting Firms:

Large: (national & regional)

Timothy Bellazzini, CPA
Jared Bourgeois, CPA
Ryan Brady, CPA (Chair)
Jason Eaves, CPA
William Keirse, CPA
Scott Lehman, CPA
Melissa Lynch, CPA
Thomas Masterson, CPA
Reid Mitchell, CPA
Matthew Mitzen, CPA
Elizabeth Prossnitz, CPA

Sikich LLP
PricewaterhouseCoopers LLP
Grant Thornton LLP
Crowe Horwath LLP
Ernst & Young LLP
Crowe Horwath LLP
Plante Moran, PLLC
Wipfli LLP
Wipfli LLP
Marcum LLP
BDO USA LLP

Medium: (more than 40 professionals)

Almira Goethe, CPA
Michael Kidd, CPA
Danielle Martin, CPA
Iryna Prokhorov, CPA
Jeffery Watson, CPA

CDH, PC
Mowery & Schoenfeld LLC
Porte Brown LLC
Mueller & Company, LLP
Miller Cooper & Company Ltd

Small: (less than 40 professionals)

Peggy Brady, CPA
Marvin Hoffman, CPA
Brian Kot, CPA (Vice Chair)
Joshua Lance, CPA

Selden Fox, Ltd.
Bronswick, Reicin, Pollack, Ltd.
Cray Kaiser Ltd CPAs
Joshua Lance CPA, LLC

Educators:

John Hepp, CPA

University of Illinois at Urbana-Champaign

Industry:

Rose Cammarata, CPA
Jason Crider, CPA
Ashlee Earl, CPA
Jeffrey Ellis, CPA
Adam Karac, CPA
Marianne Lorenz, CPA
Michael Maffei, CPA
Lawrence Moadlo, CPA
Richard Tarapchak, CPA

Mattersight Corp.
Molto Properties LLC
Consultant
FTI Consulting, Inc.
Consultant
Accenture plc
GATX Corporation
Ingersoll Machine Tools
Reynolds Group Holdings
Illinois CPA Society

Staff Representative: Rafael Wiesenberg, CPA