

May 28, 2019

Technical Director
File Reference No. 2019-500
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Submitted via email to director@fasb.org

Re: *Income Taxes (Topic 740): Disclosure Framework — Changes to the Disclosure Framework for Income Taxes*

Dear Technical Director:

The Virginia Society of CPAs (VSCPA) Accounting and Auditing Advisory Committee has reviewed the proposed Exposure Draft (ED), *Income Taxes (Topic 740): Disclosure Framework — Changes to the Disclosure Framework for Income Taxes*, issued by the Financial Accounting Standards Board (the Board). The VSCPA is a leading professional association dedicated to enhancing the success of all CPAs and their profession by communicating information and vision, promoting professionalism, and advocating members' interests. The VSCPA membership consists of more than 13,000 individual members who actively work in public accounting, private industry, government and education. We acknowledge that the Board has issued the ED in an effort to remove income tax disclosures that no longer are considered cost beneficial or relevant and add disclosure requirements identified as relevant. The VSCPA appreciates the work the Board has undertaken on this effort and the opportunity to respond to the ED.

The VSCPA offers the following comments related to the "Questions for Respondents" section of the ED:

Question 1: Would the amendments in this proposed Update that add or modify disclosure requirements result in more effective, decision-useful information about income taxes? Please explain why or why not. Would the proposed amendments result in the elimination of decision-useful information about income taxes? If yes, please explain why.

Yes and no. The amendments in the proposed Update appear to reconcile Topic 740 to SEC Regulation S-X 210 and would be helpful for decision makers looking at public company financial statements, however, BC 89 of the ED acknowledges that users of private company statements typically look to the tax return for information related to tax payments due and these amendments do not seem to add significant value to the users of private company statements.

Question 2: Are the proposed disclosure requirements operable and auditable? If not, which aspects pose operability or auditability issues and why?

In many cases, companies will find that they will need to make material estimations in regard to the disclosures due to the timing of income tax filings, which often will come after the closing of the books. Thus, auditability issues will remain even with these amendments. Additionally, concerning operability, large public companies should not find issue with these amendments due to existing U.S. Securities and Exchange Commission (SEC) regulations; however, private companies will likely have issues finding the resources to comply with these amendments.

Question 3: Would any of the proposed disclosures impose significant incremental costs? If so, please describe the nature and extend of the additional costs.

As stated in the response to question 2, public companies will likely find less issue with these amendments due to already existing SEC filing requirements. However, private companies typically use accounting firms to comply with tax disclosures and will face resource issues in meeting the requirements of the proposed amendments. These private companies may take particular issue with these

amendments as well considering extra cost for information that most of their financial statements users will not utilize.

Question 4: One of the proposed amendments would require entities to disclose pretax income (or loss) from continuing operations before intra-entity eliminations disaggregated between domestic and foreign, which initial feedback indicated would reduce diversity in practice. Would this proposed amendment be operable? Should the Board specify whether the disclosed amounts should be before or after intra-entity eliminations? Why or why not?

We believe that the Board should specify calculations to be prior to intra-entity eliminations to reduce any potential confusion and diversity in practice.

Question 5: Would a proposed amendment to require disaggregation of income tax expense (or benefit) from continuing operations by major tax jurisdiction be operable? Would such a proposed amendment result in decision-useful information about income taxes? Why or why not?

The proposed amendment might not be operable for private companies because of the timing of filings for different tax jurisdictions; however, public companies might be better able to adapt.

Question 6: The proposed amendments would modify the existing rate reconciliation requirement for public business entities to be consistent with SEC Regulation S-X 210.4-08(h). That regulation requires separate disclosure for any reconciling item that amounts to more than 5 percent of the amount computed by multiplying the income before tax by the applicable statutory federal income tax rate. Should the Board consider a threshold that is different than 5 percent? If so, please recommend a different threshold and give the basis for your recommendation.

Considering that part of the objective of the amendment is to reconcile to the SEC regulation, 5 percent appears to be the adequate and proper threshold.

Question 7: Are there any other disclosures that should be required by Topic 740 on the basis of the concepts in Chapter 8 of Concepts Statement 8, as a result of the Tax Cuts and Jobs Act, or for other reasons? Please explain why.

We do not feel any additional disclosures are necessary as a result of the Tax Cuts and Jobs Act or for other reasons.

Question 8: Are there any disclosure requirements that should be removed on the basis of concepts in Chapter 8, as a result of the Tax Cuts and Jobs Act, or for other reasons? Please explain why.

We do not feel any additional disclosures are necessary as a result of the Tax Cuts and Jobs Act or for other reasons.

Question 9: The proposed amendments would replace the term public entity in Topic 740 with the term public business entity as defined in the Master Glossary of the Codification. Do you agree with the change in scope? If not, please describe why.

We feel that reducing the number of different definitions of public entity and nonpublic entity in the Codification is appropriate and helps improve clarity.

Question 10: Should the proposed disclosures be required only for the reporting year in which the requirements are effective and thereafter or should prior periods be restated in the year in which the requirements are effective? Please explain why.

We feel that disclosures should only be required in current years and prospectively. The resources required to restate prior years would likely outweigh any benefits from those restatements.

Question 11: How much time would be needed to implement the proposed amendments? Should the amount of time needed to implement the proposed amendments by entities other than public business entities be different from the amount of time needed by public business entities? Should early adoption be permitted? Please explain why.

We believe that one year would be needed for public entities and an additional two years for private entities to implement the proposed amendments. Considering the complexity involved, this should enable private entities to learn from the implementation of the public entities. Given that, we would be in favor of any entity that decides on early adoption on their own volition.

Again, the VSCPA appreciates the opportunity to respond to this ED. Please direct any questions or concerns to VSCPA Vice President, Advocacy Emily Walker, CAE, at ewalker@vscpa.com or (804) 612-9428.

Sincerely,

Bo Garner, CPA
Chair

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