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May 30, 2019

Via email to director@fasb.org

Mr. Shayne Kuhaneck, Acting Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

Re: Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes (Topic 740) (File Reference No. 2019-500)

Dear Mr. Kuhaneck:

We are pleased to provide comments on the Board's revised proposal to modify the current disclosure requirements for income taxes.

We support the Board's intent to improve the effectiveness of income tax footnote disclosures while minimizing costs and complexities.

We generally agree with the proposed changes. However, we believe certain clarifications would improve the final amendments, as elaborated in the Appendix to this letter.

We would be pleased to discuss our comments with the FASB staff. Please direct questions to Daniel Newton at (617) 239-7026 or Steve Maniaci at (616) 802-3508 or Adam Brown at (214) 665-0673.

Very truly yours,

BDO USA, LLP

BDO USA, LLP

Appendix

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.

We generally agree that the proposed amendments would result in more effective, decision-useful information about income taxes.

We support the notion that relevant income tax information should be disclosed in the tax footnote and this proposal would help in this regard. We also support codifying (in Topic 740) SEC income tax disclosures that have been found to be effective and useful. However, we recommend that, to the extent the FASB codifies existing SEC disclosure requirements in the ASC as discussed below, the FASB should also work with the SEC staff to eliminate the comparable SEC requirement to prevent duplication for public companies.

Our views concerning the individual proposals are explained below.

We support replacing the term "public entity" with the term "public business entity" throughout Topic 740 in accordance with ASU 2013-12.

We agree with the addition of proposed para. 740-10-50-10A which would require disclosure of income (or loss) from continuing operations before intra-entity eliminations and before income tax expense (or benefit), disaggregated between domestic and foreign income, which is already required for SEC registrants. In addition, we recommend that the amount of the intra-entity elimination entries be disclosed as well as total pre-tax accounting income (or loss) from continuing operations. It is our belief that this presentation will provide useful information to users in analyzing an entity's tax position.

We agree with the addition of proposed para. 740-10-50-10B which would require that income tax expense (or benefit) from continuing operations disaggregated between federal, state and foreign income be disclosed, which is also already required for SEC registrants. However, we recommend that the income tax expense (or benefit) for each jurisdiction be presented prior to intra-entity eliminations to give consistent data points to users of the financial statements since the income (or loss) from continuing operations would be presented in a similar manner.

We support the addition in the last sentence of proposed para. 740-10-50-10B which states, "Income taxes on foreign earnings that are imposed by the jurisdiction of domicile shall be included in the amount for that jurisdiction of domicile." We believe this proposal clarifies an issue where there has been diversity in practice.

We agree with the addition of proposed para. 740-10-50-22 which would require all entities to disclose income taxes paid during the current year disaggregated between federal, state and foreign.

We agree with the addition of proposed para. 740-10-50-15A(c) which would require public business entities to disclose the line item in the statement of financial position in which the

unrecognized tax benefits are presented and the related amounts. We believe that disclosing this offers useful information to users in determining how much will be paid within the current year or operating cycle based upon its classification between current and long-term. We recommend the FASB consider making this disclosure requirement applicable to all financial reporting periods, including interim periods.

We are supportive of the proposed change in para. 740-10-50-6A(b) and corresponding changes in para. 740-10-55-219 to disclose the amount of unrecognized tax benefits that offset the deferred tax assets for carryforwards as required by para. 740-10-45-10A.

We agree that it would be beneficial for public business entities to disclose an explanation of the nature and amounts of the valuation allowance recorded and released during the reporting period. While this information is already required to be disclosed by public business entities within Schedule II by Rule 12-09 of Regulation S-X if the information is not otherwise provided within the financial statements, we believe including this information within the income tax footnote, rather than in a separate schedule, would be an improvement. Additionally, we believe it would be useful for companies to disclose disaggregated information regarding the increases and decreases in the valuation allowance by jurisdiction (i.e., federal, state and foreign).

We support the proposed change in para. 740-10-50-15d to eliminate the disclosure of unrecognized tax benefits that could significantly increase or decrease within the next 12 months.

We generally agree with the proposed change to disclosures with respect to the rate reconciliation applicable to public business entities (proposed para. 740-10-50-12), as it effectively codifies the requirement in SEC Regulation S-X 4.08(h)(2). However, we strongly recommend that the FASB eliminate the option to use percentages rather than the reporting currency amounts as the basis of presentation. We believe that the use of percentages can be misleading to the users of the financial statements since there can be large variances solely based on fluctuations to pre-tax income (or loss). This can lead to expanded disclosures that do not benefit investors when there is a large fluctuation in the percentages even though the change in the reporting currency amounts is insignificant. We also recommend that the FASB clarify the purpose of the word "normally" to explain whether there are circumstances when the tax rate of the entity's country of domicile should not be the statutory rate used in the rate reconciliation.

We support the proposed disclosure for public business entities regarding carryforwards in proposed para. 740-10-50-6A. However, in order to avoid uncertainty regarding the definition of carryforward and thus avoid diversity in practice, we recommend that the definition of carryforward be updated to include the interest expense carryforward derived from internal revenue code §163(j) as added by the Tax Cuts and Jobs Act.

We base this on the fact that the example in proposed para. 740-10-55-220 only uses NOLs and tax credits for purposes of the example. In addition, we also recommend the FASB consider whether to clarify in the table in proposed para. 740-10-55-220 that the unrecognized tax benefits not recorded in the statement of financial position would provide useful information. This could avoid the concerns that the amount disclosed as being recorded on the balance sheet would not necessarily reconcile to the roll-forward of uncertain tax positions as mandated in para. 740-10-50-15A.

We are also supportive of the proposed disclosure requirement for public business entities regarding the amounts of any valuation allowance recognized for deferred tax assets for federal, state, and foreign carryforwards in proposed para. 740-10-50-6A(c).

We are generally supportive of the proposed disclosures for all business entities regarding carryforwards in proposed para. 740-10-50-8A. However, we recommend that the total amounts be disclosed on a tax-effected basis, consistent with the disclosure requirements for public business entities in 740-10-50-6A(a) as we believe this provides more useful information.

We agree with the proposed change in para. 230-10-50-2 to clarify that income taxes paid should be disclosed within the statement of cash flows during the period, including interim periods.

We agree with the proposed removal of para. 740-30-50-2(b) that would remove the disclosure for cumulative amount of temporary difference when a deferred tax liability is not recognized.

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

We believe the proposed disclosure requirements are generally operable and auditable because the information required already exists within most accounting systems, except as discussed in Question 3 related to carryforwards and valuation allowances.

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

Yes, we believe that the proposed disclosures for public business entities regarding carryforwards and any associated valuation allowance in proposed para. 740-10-50-6A could require significant implementation time and costs. Additionally, we recommend the FASB provide guidance on how valuation allowances should be allocated between each specific deferred tax asset (e.g., deductible temporary differences and carryforwards).

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?

As discussed above we believe that this proposed amendment is operable since the information should be readily available. We also believe as stated above that the pretax income (or loss) should be disclosed by country of domicile, foreign, eliminations and total income, which would reconcile to income from continuing operations. Additionally, we would also encourage income tax expense (benefit) to be disclosed in a similar manner to provide the reader of the financial statements consistent data points with respect to what has been disclosed in income from continuing operations.

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?

Yes, we believe that the proposed amendment to require disaggregation of income tax expense (or benefit) from continuing operations by major tax jurisdiction would be operable and would result in decision-useful information for end users. However, we recommend the FASB define what is intended by major tax jurisdiction, as without further clarification there would likely be diversity in practice.

Question 6: The proposed amendments would modify the existing rate reconciliation requirement for public business entities to be consistent with SEC Regulations 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.

We believe that the threshold for public business entities to disclose any reconciling item should be increased. The current 5% threshold has been in effect for at least the past 50 years when corporate tax rates were generally higher than what exist today. For example, the U.S tax rate has ranged between a high of 52% to a low of 46% between 1964 to 1986 when the rate was reduced to 34% (in 1994 the rate was increased to 35%). The U.S. rate was just reduced to 21% with the passage of the Tax Cuts and Jobs Act. Other countries such as the United Kingdom, Germany and Japan have reduced their corporate tax rates in a similar manner. Based on this, we believe an increase to the 5% baseline to a level comparable to when tax rates were significantly higher should be considered by the Board and by doing so would eliminate disclosures of trivial amounts.

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.

As noted above we believe that the proposed expanded disclosures for all entities regarding carryforwards in proposed para. 740-10-50-6A and 740-10-50-8A should be clarified in order to incorporate implications of the Tax Cuts and Jobs Act. Specifically, we recommend that the definition of carryforwards include the interest expense carryforward derived from the amendments to internal revenue code §163(j) as a result of the Tax Cuts and Jobs Act.

Additionally, we recommend that the FASB consider including in the amendments to para. 740-10-50-12 or another applicable section clarification of what should be included as a "foreign-rate differential" within the rate reconciliation. As a result of the Tax Cuts and Jobs Act there were new international tax regimes introduced such as Global Intangible Low-Taxed Income (GILTI), Foreign Derived Intangible Income (FDII) and Base Erosion Anti-Abuse Tax (BEAT), which some issuers might include within the foreign-rate differential line item within the rate reconciliation. Thus, without further clarification on what should be included within the foreign-rate differential line item on the rate reconciliation there will be further diversity in practice. We would recommend the FASB clarify that the foreign-rate differential should only include the effects on an entity's effective tax rate of differences between the domestic federal statutory

tax rate and the income tax rate in the applicable foreign jurisdiction(s), multiplied by pretax income (or loss) from continuing operations in each respective foreign jurisdiction.

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

We recommend the FASB remove the option to use percentages as the basis of presentation with respect to the rate reconciliation required for public business entities within proposed para. 740-10-50-12. We recommend the required use of reporting currency amounts with an option to also include percentages. As discussed above the percentages can fluctuate significantly solely based on pre-tax income (or loss) even if the reporting currency amounts have not changed significantly. This could lead to unnecessary disclosures that do not provide value to investors.

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 agree with the amendment to replace the term public entity in Topic 740 with the term public business entity as defined in the Master Glossary of the Codification.

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 support comparative disclosures whenever possible, but we acknowledge that costs of restating prior period disclosures may outweigh benefits for some companies. Thus, we suggest the Board allow preparers to adopt the final guidance either retrospectively or prospectively. If an entity elects to adopt the guidance prospectively, it should disclose the resulting lack of comparability.

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 one year would provide enough time for public business entities to implement the changes proposed in this exposure draft. We also recommend a delayed effective date for other entities; that is, the effective date for those entities should be one year following the effective date for public entities, consistent with transition provisions in other new ASUs.

We also would not object to permitting early adoption. For example, some entities may have the relevant information readily available and decide to provide the new disclosures as soon as is practicable.