



Jeanette L. Ourada
Vice President and Comptroller

May 31, 2019

Via email to director@fasb.org

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

Re: Proposed Accounting Standards Update (Revised) – Income Taxes (Topic 740), Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes, File Reference No. 2019-500

Chevron Corporation (Chevron) appreciates the opportunity to provide comments to the Financial Accounting Standards Board (the “Board”) regarding the proposed Accounting Standards Update, *Income Taxes (Topic 740), Disclosure Framework (Revised)– Changes to the Disclosure Requirements for Income Taxes* (the “proposed ASU”).

Chevron is one of the world’s leading integrated energy companies. Through its subsidiaries that conduct business worldwide, the company is involved in virtually every facet of the energy industry. Chevron explores for, produces and transports crude oil and natural gas; refines, markets and distributes transportation fuels and lubricants; manufactures and sells petrochemicals and additives; generates power; and develops and deploys technologies that enhance business value in every aspect of the company’s operations.

Overall, Chevron supports the Board’s disclosure framework objective to improve the effectiveness of disclosures in the notes to financial statements by facilitating clear communication of information that is most important to financial statements users. We support many of the revisions to the initial exposure draft which resulted in the removal of several previously proposed requirements. However, we remain concerned that the revised exposure draft still includes proposed disclosures that do not provide information that is useful and go against the objective of facilitating clear communication of the most important information to users of financial statements. Often, the proposed expansion of disclosure requirements results in increased complexity of disclosures, significant additional effort and costs to prepare and duplication of existing disclosure, without the offsetting benefits to users of financial statements.

Our detailed comments to selected questions posed by the Board in the proposed ASU are included in the attached Appendix.

We trust our comments are helpful to the Board in determining next steps for the project. If you have any questions on the content of this letter, please contact David Pizzala, Assistant Comptroller, at (925) 842-5031.

Sincerely,

A handwritten signature in blue ink, appearing to read "J. Ourada".

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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.

And

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

We believe several of the proposed amendments are not decision-useful and/or are duplicative of information provided elsewhere in a company's reporting, as discussed below. We have segregated each of our comments according to the applicable paragraph in the proposed ASU.

Paragraphs 740-10-50-6A(a) and (c)

Chevron believes the added requirements to disclose the amounts of deferred tax assets for federal, state and foreign loss carryforwards, tax effected before valuation allowances, with the time period of expiration, will result in a significant amount of additional work for financial statement preparers without providing any significant benefit to financial statement users. We believe the current requirements in paragraph 740-10-50-3 provide financial statement users with sufficient information on an entity's loss carryforwards and expiration dates. The expiration of loss carryforwards is already included in the net deferred tax asset balances through the recording of any required valuation allowances. It is our understanding that this proposed dual requirement of both loss carryforwards and associated deferred tax assets is in reaction to a lack of reporting consistency among financial statements preparers of the current paragraph 740-10-50-3 requirement. Rather than adding an additional reporting burden, we recommend the Board clarify that the loss carryforwards disclosure should reflect the amount of the losses on the tax return, and not the associated deferred tax asset.

Paragraph 740-10-50-22

The proposed requirement provides for income taxes paid to be disaggregated between federal, state and foreign, with any income taxes on foreign earnings that are imposed by the jurisdiction of domicile shall be included in the amount for that jurisdiction of domicile. While these requirements are intended to provide more insight into assessments of cash flow, we do not believe they are beneficial to a reasonable investor or financial statement user. This level of disaggregation could lead to confusion and be misconstrued by financial statement users. Income taxes paid, rather than accrued may not be meaningful because many factors (including prior year audit settlements, refunds, tax credits and other factors) that make up a tax payment bear no direct relationship to the current year's income. We believe the current requirement in ASC 230-10-50-2 to disclose aggregate income tax payments is the appropriate level of information for these users. Chevron believes taxes that are accrued for the year, split between federal, state and international then analyzed between current and deferred provides the additional level of insight that is useful for a reader of the financial statements.

Additionally, various reporting regulations have generally acknowledged the complexity of gathering and reporting this disaggregated information of cash payments and have typically allowed 150 days following the annual reporting period for the filing of such reports. Reporting this information within the 60-day filing period for the Form 10-K is not practicable.

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

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Paragraph 740-10-50-22

The requirement to disclose income taxes paid annually on a disaggregated basis for a large multinational company, such as Chevron, would require a substantial amount of time and resources to gather, report and change our financial reporting systems in order to disclose this disaggregated information. As stated in the prior comment on this topic there has been general acknowledgment of the complexities of gathering this granular level of detail and Chevron believes it would add more confusion without any benefit to the financial statement user.

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?

Paragraph 740-10-50-10A

The proposed requirement to disclose pretax income (or loss) from continuing operations before intra-entity eliminations on a disaggregated basis would require substantial commitment of company resources for a large multinational company to implement. This would require significant changes to Chevron's financial reporting systems and controls. Chevron feels that this requirement would lead to confusion for a reasonable investor since the sum of the domestic and foreign income (or loss) from continuing operations before intra-entity eliminations would not equal the amount presented on the consolidated income statement. This proposed requirement is a divergence from the underlying principal of consolidated accounts.

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.

Paragraph 740-10-50-12

Chevron is supportive of the FASB efforts to align its existing disclosure requirements on the rate reconciliation with SEC Regulation S-X 210.4-08(h) and are supportive of the 5 percent threshold. Although Chevron supports the consistency of incorporating the 5 percent threshold, the company does not agree with the proposed amendment requiring an explanation of the year-to-year change of each reconciling item. Chevron believes the descriptors that are already included in the rate reconciliation provide sufficient insight into the nature and source of the change of each reconciling item. In addition, current requirements of MD&A provide for a discussion and analysis of the major drivers of a material change in the effective tax rate. We believe that variances of this nature are appropriately placed in MD&A.

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.

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The proposed disclosures should only be required for the reporting period in which the requirements are effective. The restatement of prior periods would require a significant effort by financial statement preparers for little, if any, benefit to financial statement users.

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? If the answer is “yes” to either question, please explain why.

The time required will be dependent on the requirements of the final ASU. Some of the requirements, as currently proposed, could be readily developed and implemented fairly quickly (e.g., income (or loss) and income taxes from continuing operations disaggregated between domestic and foreign, and the disclosure of reconciling items more than 5% in the ETR table). However, other requirements, such as income taxes paid disaggregated between foreign and domestic, disclosure before intra-entity eliminations and additional disclosure on UTB's, may require system changes which could take a significant amount of time to program and implement.

Other Comments:

Paragraph 740-10-50-6A(b)

Chevron believes that disclosing the total amount of unrecognized tax benefits that offsets the deferred tax assets for carryforwards does not provide any incremental benefit to assist financial statement users in their analysis of an entity's income taxes. The UTB detail currently provided pursuant to paragraph 740-10-50-15A provides sufficient information for the reasonable investor to make informed investment decisions.

Paragraph 740-10-50-15A(c)

The proposed requirement to disclose the line items in the statement of financial position in which the unrecognized tax benefits (UTBs) are presented and the related amounts of such UTBs, is not necessary for a reasonable investor to make informed investment decisions in a company. The tabular disclosure currently required by ASC 740-10-50-15A is sufficient for financial statement user analysis and was in response to users requesting more information about a company's uncertain tax positions, in addition to guarding against providing information that could be prejudicial to financial statement preparers.

Paragraph 740-10-50-15(d)

Chevron strongly agrees with the proposed deletion of the current requirement to disclose the nature and estimate of the range of reasonably possible changes in UTBs in the next 12 months. It is impossible in most cases for a financial statement preparer to know with any degree of certainty the likelihood of movements in UTBs over any particular period. Such movements are often related to the actions of taxing authorities and court systems throughout the world, which are difficult, if not impossible, to predict with any degree of accuracy.