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2019-500  
Comment Letter No. 36

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Technical Director, FASB  
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**RE: Income Taxes (Topic 740) Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes Revision of Exposure Draft Issued July 26, 2016  
File Reference No. 2019-500**

Dear Technical Director,

The International Association of Drilling Contractors (IADC) appreciates the opportunity to submit comments on the Disclosure Framework—Changes to the Disclosure Requirements for Income Taxes Revision of Exposure Draft Issued July 26, 2016 (the “revised exposure draft”). The IADC is a member driven organization representing the worldwide drilling industry since 1940. As a trade association, IADC’s purpose is to advance drilling and completion technology, improve industry health, safety, environmental and training practices; and champion sensible regulation and legislation that facilitate safe and efficient drilling. One of the IADC’s central missions is to serve as a conduit for members to exchange information and better understand the latest developments affecting the drilling industry, including taxation. Our comments focus on several key areas of concern given the unique characteristics of the drilling industry.

***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.*

**IADC response:** In respect of requirement addressed by Question 4 & 5, the IADC Tax Committee Members (Committee Members) do not believe the amendments will result in more effective and decision-useful information about income taxes. Please refer to the responses below for further details.

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

**IADC response:** In respect of requirement addressed by Question 4 & 5, the Committee Members believe the amendments may raise auditability issues due to the difference in scope of the audit of the non-taxation financial data and the tax disclosures. In addition, the tax disclosure requirement amendments create will result in onerous detail which will likely not provide the readers of the financial statements meaningful information.

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

IADC response: The Committee Members believe that the additional requirements covered in Question 4/5/6 may lead to additional cost of financial audit, due to additional scope of work required to be carried out by the external auditors.

***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?*

IADC response: The requirement to disclose pretax income (or loss) from continuing operations disaggregated between domestic and foreign does not bring any additional value in case of non-U.S. domiciled multinationals. Moreover, as the practice varies in respect of the intra-company eliminations, a prescriptive “before” or “after” disaggregation will invariably add additional burden to preparers and auditors of such disclosures with little or no benefit to the readers of the financial statements.

***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?*

IADC response: The Committee Members do not consider that disaggregation by major tax jurisdictions would result in decision-useful information about income taxes. Firstly, the definition of “major tax jurisdiction” is not codified and may lead to a great diversity what is considered “a major tax jurisdiction” and requires disclosure. Consistency with all other disclosure requirements is paramount. For example, items such as prior year assessments, refunds or settlements could be required to be disclosed only under the scope of this disclosure, if the amount happens to meet the “major tax jurisdiction” threshold.

***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.*

IADC response: The Committee Members believe that a mandatory threshold of more than 5% of the amount computed by multiplying the income before tax by the applicable statutory federal income tax rate may lead to additional burden for the preparers. Moreover, the information generated may not be decision-useful for the reader of the Financial Statements. Instead, a higher threshold or a qualitative measure such as “significant” items should be used to allow for adoption of a threshold reasonable to each entity’s individual profile.

***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.*

IADC response: No Comment.

***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.

IADC response: No comment.

***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 5 of the Codification. Do you agree with the change in scope? If not, please describe why.

IADC response: No comment.

***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.

IADC response: With the overriding goal of providing decision-friendly information to the reader of the Financial Statements, the Committee Members consider that adoption of amended disclosures without restatement of comparatives should be minimized. For example, the rate reconciliation amended in line with the proposals without restatement of prior year comparable limits the function of the disclosure itself. On the other hand, should the restatement be mandatory, early adoption must be permitted to allow changes in the underlying processes to be implemented earlier, should this be desired and cost-effective.

***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.

IADC response: Early adoption should be permitted to all entities, especially if the restatement of prior years is necessary to allow all entities to make the most cost-effective decision.

Thank you for your consideration of these comments. Please do not hesitate to contact Liz Craddock at 202-293-0670 or Elizabeth.Craddock@iadc.org with any follow up questions.

Yours sincerely,



Jason McFarland  
IADC President