

Comment Letter no.1/2019-500

May 31, 2019

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

By email: Director@fasb.org

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

Dear Mr. Kuhaneck;

The Connecticut society of Certified Public Accountants (CTCPA), representing more than 6,000 members in public practice, business, government and education, is pleased to have the opportunity to comment on the above-captioned exposure draft.

The CTCPA Auditing, Accounting & Financial Reporting Committee is submitting the attached comments. If you would like additional discussion, please contact either Paul Glotzer, Chair of the A, A & FR Committee at 860 486-1928, or Bryan Decker, incoming Chair of the Committee at 203-705-4126.

Sincerely,



Bonnie D. Stewart
Executive Director

Attachment

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Connecticut Society of
Certified Public Accountants

Comments on

Proposed Accounting Standards Update (Revised)
Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes

(File Reference No. 2019-500)

May 31, 2019

Principal Drafters

Bryan Decker
Paul Glotzer

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Comments on

Proposed Accounting Standards Update (Revised)
Disclosure Framework – Changes to the Disclosure Requirements for Income Taxes

(File Reference No. 2019-500)

General Comments

Overall, CTCPA Auditing, Accounting & Financial reporting Committee feels that examples of fully implemented financial statement presentation and disclosures for each type of requirement would be useful to preparers and auditors of financial statements.

We also recommend that the main provision pages be clarified regarding what's applicable to public vs. nonpublic entities. At the bottom of page 2 and top of page 3, the paragraphs specifically say the requirements relate only to public entities. The 2nd and 3rd paragraphs in the middle of page three don't say. We assume they relate to both public and private. If that's true it should say so or move them to the section of the main provisions that says it applies to both.

Specific Comments

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.*

Response: The requirement to disclose federal and state tax information is of limited usefulness. Variation of corporate taxes from state to state could impact comparability. Also, typically, state taxes in and of themselves are usually not material. Additionally, changes in operations or results of a multi-state operation, could vary by state depending on where sales or activities are. This change could affect comparability without the additional disclosure of the states subjecting the entity to the tax. Also, some states impose tax on revenue whereas others apply to net income. Also, the additional cost to determine the breakdown of the state and federal portions of deferred tax exceeds the benefit derived from the disclosed information.

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

Response: Because tax provisions are primarily estimates, when financial statements are prepared due to the additional time usually required to prepare the tax return, there will not be any additional audit evidence available than what is currently available. Disclosure of state income tax will require entities to gather their apportionment data much earlier than when they presently do and will require earlier preparation of tax returns, typically when the smaller firms are using their limited resources to complete the audits as opposed to the tax returns.

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

Response: See our response to Question 2.

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.*

Response: The FASB should specify whether the disclosed amounts should be before or after intra-entity eliminations so that there is no diversity in practice between entities. It would be helpful to include an example of the proposed disclosure.

Questions 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?*

Response: We do not believe this would provide useful information about income taxes. Currently gross income tax from continuing operations is disclosed. The additional information would not provide sufficiently useful information for decisions. To really gain useful information, much more detailed information for income tax would be required and the cost to provide that information would exceed the benefits derived from that information.

Question 6: *The proposed amendments would modify the existing rate reconciling 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*

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that is different than 5 percent? If so, please recommend a different threshold and give the basis for your recommendation.

Response: The 5 percent threshold in paragraph 740-10-50-12 could result in up to 20 reconciling items that would need to be reported. This amount seems excessive. Perhaps a threshold of 10% would be more cost effective.

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.*

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.*

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

Response: Reducing the number of definitions in the codification is a useful for simplifying 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.*

Response: Changes should only be required for the year of implementation and thereafter. There is limited benefit to be gained from requiring the prior years to be restated.

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.*

Response: Other than public business entities should be given more time to implement the changes due to the limited resources of these smaller entities. Non-public Business Entities usually rely on implementation by public business entities to help with their implementation.