September 22, 2021

Richard R. Jones, FASB Chair
Hillary H. Salo, Technical Director
File Reference No. 2021-004 FASB, 401, Merritt 7,
PO Box 5116 Norwalk, CT 06856-5116

Re: File Reference No. 2021-004: Prioritize Disaggregation of Jurisdiction-by-Jurisdiction Tax Reporting

Dear Chair Jones, Director Salo, and Members of the Board,

We appreciate the opportunity to offer these comments on the Financial Accounting Standards Board's (FASB's) future standard-setting agenda (File Reference No. 2021-004). Our signatories together represent investments totaling over $2.9 trillion, and are comprised of asset managers, public pension funds, labor funds, individual investors, international investors, foundations and religious investors. The following letter responds to questions 1, 2, 5, and 6 of the Board's invitation to comment.

As investors, we urge FASB to prioritize the disaggregation of country-by-country income tax reporting information in notes to the financial statements. We suggest the Board require the information set forth on Exhibit A to this letter as necessary components of disclosure in defining the scope of urgently reproposing Accounting Standards Update to Income Taxes (740). This information is decision-critical for investors as we gauge risks, assess value, and ultimately, allocate capital. Investors require income and tax information at the country-by-country level to better understand a company's financial, reputational, and economic risks to make informed investment decisions.

Currently, companies have access to revenue, profit, tax, and other information on a country-by-country level that investors do not have, putting our funds at risk. Consider Coca-Cola's $3.3 billion U.S. tax assessment, which may implicate $12 billion in additional taxes owed through 2020, when the Tax Court upheld the IRS's rejection of Coca-Cola's problematic transfer-pricing practices.[1] Country-by-country tax financial reporting could have alerted investors to an overreliance on tax planning and other accounting measures that increased risk. This information ultimately materially affects returns—taxes often might account for more than 30 percent of pre-tax profit, after all.

Pursuant to an OECD agreement, tax authorities already have the information being requested by this letter. Anticipated federal reform of the global intangible low taxed-income (GILTI) tax, and international tax reform at the OECD level, may also result in a global minimum tax regime that applies on a jurisdiction-by-jurisdiction basis, only increasing the relevance of related information to investors.[2] While the disclosures to tax authorities may differ from compliance with GAAP, the raw data has already been compiled, which means GAAP-compliant disclosures would not comprise a significant new expense. Nonetheless, the very stakeholders to whom FASB is responsible—the investors penning this letter—are currently left in the dark.

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[1] Coca-Cola Company, "Forth Quarter and Full Year 2020 Results, Feb. 10, 2021, https://www.coca-colacompany.com/press-releases/coca-cola-reports-fourth-quarter-2020-results; Aysha Bagchi, "Coca-Cola Must Pay Bulk of $3.4 Billion Tax Bill, Court Says," Bloomberg Tax, Nov. 19, 2020, https://news.bloombergtax.com/daily-tax-report/coca-cola-gets-mixed-court-decision-in-3-4-billion-irs-dispute.

[2] *See, e.g.,* OECD, "OECD Secretary-General Tax Report to G20 Finance Ministers and Central Bank Governors," July 2021, https://www.oecd.org/tax/oecd-secretary-general-tax-report-g20-finance-ministers-july-2021.pdf.

There is a strong international push to require disaggregation of country-by-country tax reporting information, and we believe FASB should be leading this push. In 2021 alone, the Global Reporting Initiative, implemented on a voluntary basis the first globally applicable country-by-country reporting standards, the European Union finalized a political deal to require a degree of public country-by-country reporting, and the U.S. House of Representatives passed the Disclosure of Tax Havens and Offshoring Act, included as Title V of the Corporate Governance Improvement and Investor Protection Act.[3] These events represent a clear global momentum to see country-by-country reporting realized in the near term. Still, the overly politicized agreement reached by the European Union demonstrates why an organization like FASB, with its technical expertise and investor focus, is well-suited to lead in the disaggregation of country-by-country income tax disclosure in financial reporting.

FASB's mandate is clear, "to establish and improve financial accounting and reporting standards to provide decision-useful information to investors and other users of financial reports." Because the information suggested by this letter greatly improves the decision-useful information available to investors at minimal additional compliance costs, we believe FASB should be leading these worldwide trends toward disaggregation of corporate income tax information on country-by-country basis.

Should you have any questions, feel free to contact John Keenan (JKeenan@afscme.org, +1 202-429-1232) or Ryan Gurule (rgurule@thefactcoalition.org).

Respectfully,

ACTIAM

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AFL-CIO

American Federation of State, County and Municipal Employees (AFSCME)

American Federation of Teachers

Bâtirente

Boston Common Asset Management

Church of England Pensions Board

Clean Yield Asset Management

Communications Workers of America

Congregation of Sisters of St. Agnes

[3] H.R. 1187, 117th Cong.

CorpGov.net

Dana Investment Advisors

Domini Impact Investments, LLC

Ethos Engagement Pool International

Ethos Foundation

Etica Funds - Responsible Investments

First Affirmative Financial Network

Franciscan Sisters of Perpetual Adoration

Friends Fiduciary Corporation

Fund for Constitutional Government

Harrington investments, Inc.

Illinois State Treasurer's Office

Interfaith Center on Corporate Responsibility

International Brotherhood of Teamsters

Investor Advocates for Social Justice

Investor Voice

Lady Lawyer Foundation

Legal & General Investment Management

Local Authority Pension Fund Forum (LAPFF)

Maryknoll Sisters

Mercy Investment Services, Inc.

Middletown Works Hourly & Salaried Union Retirees Health Care Fund

Miller/Howard Investments, Inc.

National Education Association

Natural Investments

NEI Investments

Newground Social Investment

Northwest Coalition for Responsible Investment

Office of the NYC Comptroller

OIP TRUST

Oxfam America

Province of Saint Joseph of the Capuchin Order

Regroupement pour la Responsabilité Sociale des Entreprises (RRSE)

Reynders, McVeigh Capital Management

Seventh Generation Interfaith Coalition for Responsible Investment

Shareholder Association for Research & Education (SHARE)

Sisters of Charity of Saint Elizabeth

Sisters of St. Dominic of Caldwell

Sisters of St. Francis of Philadelphia

SOC Investment Group

Stewart R. Mott Foundation

Sustainable Advisors Alliance LLC

Toniic

Trillium Asset Management

UNISON

Unitarian Universalist Association

UNITE HERE

United Church Funds

United Steelworkers (USW)

Vert Asset Management

Vision Super

Zevin Asset Management

Exhibit A

Decision-critical information requested under this proposal include the following publicly reported to investors on a country-by-country (or other tax-jurisdiction) level consistent with information already delivered to the IRS on Form 8975:[4]

- Number of entities;
- Names of resident entities;
- Primary activities of entities;
- Number of employees, and the basis of calculation of this number;
- Revenues from third-party sales;
- Revenues from intra-group transactions with other tax jurisdictions (with rules to avoid double-dividend or other potentially twice-counted revenues);
- Profit/loss before tax;
- Tangible assets other than cash and cash equivalents;
- Corporate income tax paid on a cash basis (and separately, any taxes withheld on payments received by applicable entities);
- Corporate income tax accrued on profit/loss (reflecting only operations in the relevant annual period and excluding deferred taxes or provisions for uncertain tax liabilities);
- Stated capital, except that stated capital of a permanent establishment must be reported in the tax jurisdiction of residence of the legal entity of which it is a permanent establishment unless there is a defined capital requirement in the permanent establishment tax jurisdiction for regulatory purposes;
- Total accumulated earnings, except that accumulated earnings of a permanent establishment must be reported by the legal entity of which it is a permanent establishment;
- Reasons for any difference between corporate tax accrued on profit/loss and:
    - the tax due if the statutory tax rate is applied to profit/loss, and or the tax due if the statutory tax rate is applied to profit/loss before tax; and
- Significant tax incentives.

[4] *See* Treas. Reg. Sec. 1.6038-4; *Global Reporting Initiative,* "GRI 207: Tax 2019," https://www.globalreporting.org/search/?query=GRI+207