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May 29, 2015

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

**RE: Proposed Accounting Standards Update, *Income Taxes (Topic 740)* –
Balance Sheet Classification of Deferred Taxes (File Reference No. 2015-
210)**

Dear Ms. Cospers:

The Silicon Valley Tax Directors Group¹ appreciates the opportunity to comment on the FASB's proposed guidance on balance sheet classification for deferred income taxes. The input provided within this comment letter is based on our collective experience as preparers of financial statements, responsible for administering accounting for income taxes in an increasingly complex global tax and business environment.

The Board issued this proposed guidance as part of its Simplification Initiative to reduce the cost and complexity in financial reporting while maintaining or improving the usefulness of the information provided to users of financial statements.

The proposed guidance proposes that all deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The proposed guidance proposes that the change would be effective for public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016, with early adoption prohibited. The proposed guidance provides that such change would be adopted on a prospective basis for all deferred income tax

¹ The Silicon Valley Tax Directors Group ("SVTDG") is a group of 81 high technology companies with significant presence in the Silicon Valley (California). The SVTDG includes public and private companies, from smaller start-up companies to large multinational companies, with sales ranging from \$100m/yr to over \$180b/yr. The SVTDG supports sound tax and accounting policies that allow the U.S. high tech technology industry to continue to innovate and be competitive in the global marketplace.

liabilities and assets. Disclosure required at transition would include the nature and reason for the change in accounting principle and a statement that prior periods were not restated.

We thank the Board for putting forth this proposed guidance. We agree with the Board that the current accounting requirement to classify deferred income tax liabilities and assets between current and noncurrent is of little or no benefit to users of financial statements because the classification generally does not align to the time period in which the deferred tax amounts are expected to be recovered or settled. We also agree that time and costs (and complexity) are incurred by preparers to track and classify deferred income tax liabilities and assets into current and noncurrent amounts in order to comply with current GAAP.

We believe this proposed guidance meets the criteria of the Simplification Initiative and should be adopted. We recommend that early adoption should be permitted for all entities, as this proposed guidance reduces cost and complexity in financial reporting without reducing the usefulness of information provided to readers of the financial statements.

The SVTDG's answers to the Board's questions for respondents are shown in the attached Appendix.

We very much appreciate the Board's consideration of our comments. We would be pleased to meet with the Board or Staff at your convenience to answer any questions you might have.

Sincerely,

A handwritten signature in black ink that reads "Jeffrey K. Bergmann". The signature is written in a cursive style with a large, looping "J" and "B".

Jeffrey K. Bergmann
Co-Chair, Silicon Valley Tax Director's Group

APPENDIX

Question 1 – *Should all deferred income tax liabilities and assets be presented as noncurrent in a classified statement of financial position? If not, why, and what alternatives should the Board consider, and what is the conceptual basis for the alternatives?*

Yes, we believe all deferred income tax liabilities and assets should be presented as noncurrent in a classified statement of financial position.

Question 2 – *Should the proposed guidance be applied on a prospective basis?*

Yes, we believe the proposed guidance should be applied on a prospective basis. We believe requiring or permitting retrospective adoption would be of little or no benefit to users of financial statements and would require preparers to incur time and costs to restate prior periods presented. We do not believe comparability is a sufficient reason for retrospective adoption.

Question 3 – *Should the amendments in this proposed Update be effective for:*

- a. *Public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2016*
- b. *All other entities for annual periods beginning after December 15, 2017, and interim periods in annual periods beginning after December 15, 2018, with early adoption permitted, but not before the effective date for public entities?*

We believe this proposed guidance meets the stated objectives of the Simplification Initiative to reduce the cost and complexity in financial reporting while maintaining or improving the usefulness of the information provided to users of financial statements. We believe it is less costly and simpler for preparers to adopt and comply with the proposed guidance than it is to continue to comply under the existing accounting. We believe preparers already have in place the necessary processes, tools, and systems to determine their amounts of deferred income tax liabilities and assets necessary to comply with the proposed guidance. Accordingly, we believe accelerated effective dates should be provided and early adoption should be permitted for all entities. We believe the amendments in this proposed guidance be effective for:

- a. *Public business entities for annual periods, including interim periods within those annual periods, beginning after December 15, 2015, with early adoption permitted.*
- b. *All other entities for annual periods beginning after December 15, 2016, and interim periods in annual periods beginning after December 15, 2016, with early adoption permitted.*

Question 4 – *What would be the expected transition costs of adopting the guidance in the proposed Update? What would be the expected recurring costs of applying the proposed guidance compared with the costs of applying current GAAP?*

We believe this expected transition costs of adopting the proposed guidance to be minimal, if any, because the proposed guidance is proposed to be implemented on a prospective basis and we believe preparers already have in place the necessary processes, tools, and systems to determine their amounts of deferred income tax liabilities and assets necessary to comply with the proposed guidance. We believe the expected recurring costs of applying the proposed guidance will be less than the costs of applying current GAAP.