

**July 12, 2017**

Technical Director, FASB  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 2016-270: Comments on the Exposure Draft for the Proposed Accounting Standards Update to Income Taxes (Topic 740)

Dear Director Cospers:

As members of the Investor as Owner Subcommittee<sup>1</sup> of the Investor Advisory Committee (**IAC**) of the Securities and Exchange Commission (**SEC**), we appreciate the opportunity to share with you some of our views regarding the accounting standards update related to corporate income taxes proposed by the Financial Accounting Standards Board (**FASB**).

As the SEC noted in its concept release on “Business and Financial Disclosure Required by Regulation S-K” (**Concept Release**), companies often disclose that “changes to U.S. and non-U.S. tax law could adversely affect their anticipated financial position and that “foreign tax rates and treaties, may have a material impact on a registrant's operations.” As the IAC advised the SEC in response to the Concept Release, we believe that more information about foreign regulatory and tax-related risks could be useful to investors. In the IAC's comment letter regarding that release, the IAC recommended additional steps be taken to ensure issuers disclose relevant, information regarding the material components of issuers' tax strategies, any material risks accompanying those strategies, the sustainability of issuers' effective tax rates and the degree to which current tax planning may obscure longer-term tax risk. The IAC also stated its view that the SEC should take steps to ensure that its disclosure requirements keeps pace with evolving international standards in the area of country by country tax reporting. We continue to hold those views.<sup>2</sup>

In connection with your proposed update, we note that basic quantitative information about taxes paid to foreign countries by issuers, and the relevant accounting information to put that information into context (e.g., revenues, profits before taxes), would also be a basic predicate for understanding the risk disclosures that we have recommended the SEC to consider. Abstract risk disclosures will not be meaningful without quantification of the magnitude of the revenue, profit, and tax flows associated with those risks. Accordingly, we recommend that the FASB consider not limiting its proposed disclosures to countries where significant tax is being paid. Such a limitation may lead (even if inadvertently) to a misleading picture if the reason no significant tax is being paid is not that revenues, earnings, or tax rates are low, but because of tax strategies that may not be sustainable over time for a given issuer. We appreciate the goal of not requiring costly but immaterial disclosures. But to achieve that goal, the relevant focus should not be limited to actual tax payments, but should be tax-related financial risk.

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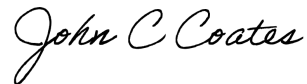
<sup>1</sup> This **comment letter** (our emphasis) is being submitted by the members of the Investor as Owner subcommittee of IAC. A super majority of the Subcommittee supports the issuance of this letter. This letter is not a recommendation of the full IAC, nor is it a direct report to the SEC or to any federal officer or employee.

<sup>2</sup> A minority of the IAC expressed concern that, under some circumstances, tax-related mandated disclosure would exacerbate the risk of adverse tax consequences to the detriment of issuers and their investors without sufficient countervailing benefits. They also expressed concern that additional rules in this area, such as country-by-country reporting, could yield vast amounts of information that would be of little utility to investors.

We appreciate concerns over costs of compliance, and do not believe that disclosure should be required if it would not be relevant or material. We note, however, that a multilateral Base Erosion and Profit Shifting (BEPS) initiative has led to the requirement that companies file certain country by country information, including with the IRS. As a result, the marginal costs of disclosure will be low – they will not include data gathering or auditing, because those tasks are already required. Investors should be given access to material elements of the same basic information, to permit them to evaluate the financial risks to which their investments are exposed.

We are pleased to answer any questions you may have.

Sincerely,

A handwritten signature in black ink that reads "John C. Coates". The signature is written in a cursive, flowing style.

John C. Coates

Chair, Investor as Owner Subcommittee on behalf  
of the Subcommittee Members of the SEC's  
Investor Advisory Committee