TXCPA
Texas Society of Certified Public Accountants

June 28, 2019

Director@fasb.org
File Reference No. 2019 - 700

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

Re: Income Taxes (Topic 740) Simplifying the Accounting for Income Taxes

Dear FASB:

The views expressed herein are written on behalf of the Professional Standards Committee (PSC) of the Texas Society of CPAs. The PSC has been authorized by the Texas Society of CPAs' Board of Directors to submit comments on matters of interest to the membership. The views expressed in this document have not been approved by the Texas Society of CPAs' Board of Directors or Executive Board and, therefore, should not be construed as representing the views or policy of the Texas Society of CPAs. Please find our responses below to the questions included in the above-referenced exposure draft.

Question 1: Do you agree that the amendments in this proposed Update would simplify the accounting for income taxes? If not, please explain which proposed amendment(s) you disagree with and why.

Response: The committee generally thinks that the amendments would simplify the accounting for income taxes. However, we do have some concerns about the proposed reporting of franchise tax. Franchise tax is based on margin from business conducted in the previous year, therefore, the tax might not follow the timing pattern of other taxes "at least partially based on income" when estimates are being conducted.

Question 2: Do the proposed amendments maintain or improve the usefulness of information provided to users? Alternatively, would the proposed amendments result in the elimination of decision-useful information? Please explain why or why not.

Response: The committee thinks that the proposed amendments eliminate marginally useful information in some areas. However, when considering the cost benefit of reporting the eliminated information, we are in overall agreement with the changes.

Question 3: Are the proposed amendments operable and auditable? If not, which aspects pose operability or auditability issues and why? Would any of the proposed amendments impose significant incremental costs? If so, please describe the nature and extent of the additional costs.

Response: The committee thinks that the proposed amendments are operable and auditable. Also, we do not believe that these proposed amendments would impose any significant incremental costs.

Question 4: Are the transition requirements and transition disclosures for the proposed amendments appropriate? If not, what transition approach or transition requirements would be more appropriate and why?

Response: The committee was pleased to note that all proposed amendments were not transitioned in the same manner. We believe the transition proposed was applicable for each issue.

Question 5: How much time would be needed to adopt the proposed amendments? Should early adoption be permitted? Should entities other than public business entities be provided with an additional year to implement the proposed amendments? Why or why not?

Response: The committee did not see any adjustments necessary for the proposed amendments. The next year end following adoption should be sufficient time to implement the proposed changes. Also, we think that early adoption should be allowed. Private entities may benefit from an additional fiscal year to adopt the proposed changes. However, it should not be difficult for private companies to follow this proposed guidance.

We appreciate the opportunity to provide input into the standards-setting process.

Sincerely,

Ken Sibley, CPA
Chair, Professional Standards Committee
Texas Society of Certified Public Accountants