

August 27, 2005

Technical Director
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, Connecticut 06856-5116

File Reference No. 1215-001

Re: Accounting for Certain Tax Positions

The Accounting Principles & Auditing Standards Committee of the California Society of Certified Public Accountants (the "Committee") submits the following comments on the proposed statement.

The AP&AS Committee is the senior technical committee of our state society. It has 43 members; 67 percent from local or regional firms, 23 percent sole practitioners in public practice, 5 percent from industry and 5 percent from academia.

The Committee discussed each of the questions posed to potential commenters and the outcomes of the Committee's discussions are noted below.

Overall, subject to the following comments describing the need for clarification of certain points, we are in substantial agreement with the proposed Interpretation.

Issues # 3 and 5 and paragraphs 6 and 10

In the tentative conclusions to Issues 3 and 5 and as between paragraphs 6 and 10 of the Interpretation, it is not as clear as it might be that the notions "likely to occur" and "more likely than not" are different, and that the first is a higher hurdle than the second. We appreciate that paragraph 6 makes reference to and quotes from paragraph 3(a) of Statement 5, but we believe that the distinction may not be appreciated by many readers of the Interpretation.

Issue # 7 and paragraph 14

It would be helpful to add guidance to paragraph 14 in the form of a last sentence such as "Otherwise it should be classified as a noncurrent liability".

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Paragraph B34

The discussion in paragraph B34 is confusing. We are unsure if we are reading it correctly and of the ramifications, if we're not. The enterprise would have made a tax payment or accrued a liability regardless of whether the confidence level of a tax position approaches probable recognition status or not, and would have recognized a liability associated with the tax position under this Interpretation in either event. Therefore, classification of the associated liability would not be affected by how close the position is to the probable confidence level.

The Committee would be pleased to discuss its comments further with the Board or its staff.

Very truly yours,

Robert R. Coté, Chair
Accounting Principles and Auditing Standards Committee
California Society of Certified Public Accountants