

April 8, 2015

Technical Director  
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**Proposed Accounting Standards Update: Income Taxes (Topic 740) *Intra-Entity Asset Transfers***

The Accounting Principles and Assurance Services Committee (the “Committee”) of the California Society of Certified Public Accountants (“CalCPA”) respectfully submits its comments on the referenced proposal. The Committee is the senior technical committee of CalCPA. CalCPA has approximately 40,000 members. The Committee consists of 53 members, of whom 47 percent are from local or regional CPA firms, 27 percent are from large multi-office CPA firms, 12 percent are sole practitioners in public practice, 10 percent are in academia and 4 percent are in international CPA firms. Members of the Committee are with CPA firms serving a large number of public and nonpublic business entities, as well as many non-business entities such as not-for-profits, pension plans and governmental organizations.

**Question 1:** *Should the current and deferred income tax consequences of an intra-entity asset transfer be recognized when the transfer occurs? If not, why?*

A majority of the Committee opposes the Board's proposal. The purported purpose of this proposed update is simplification. Yet the Board rejected similar accounting as more complex than the exception provided in SFAS 109 *Accounting for Income Taxes* when that standard was adopted. The Committee believes that the current accounting is simpler than the Board's proposal, and the proposal should be rescinded. The current accounting may not be as conceptually correct as the Board's proposal, but is simpler.

The Committee strongly favors simplification of the Board's standards on accounting for income taxes. However, this proposal would replace a relatively simple notion of deferring the actual tax paid with a potentially complex calculation of a deferred tax on the intercompany profit, and not achieve simplification.

**Question 2:** *If the income tax consequences should not be recognized when the transfer occurs, should the income taxes payable or paid upon transfer be expensed as incurred? If not, how should income taxes payable or paid be recognized?*

The current accounting should not be changed. The notion of deferring the tax paid is a valid proxy for expensing it and providing deferred tax.

**Question 3:** *Should the proposed guidance be applied on a modified retrospective basis? Are the transition disclosures appropriate?*

If the proposal is adopted, the Committee believes the modified retrospective basis is appropriate.

**Question 4:** *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 business entities?*

The Committee has no objection to the effective date if the proposal is adopted.

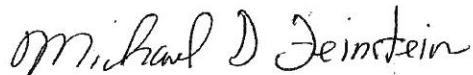
**Question 5:** *What would be the expected transition costs of adopting the guidance in the proposed Update? What would be the expected recurring costs of applying the proposed guidance compared with the costs of applying current GAAP?*

The Committee does not believe transition costs would be significant, but also believes that the proposal would not result in any cost savings, and, in fact, there could be additional costs because of the need to calculate deferred taxes where there were none before.

\* \* \* \* \*

We thank you for the opportunity to comment on this matter. We would be glad to discuss our opinions with you further should you have any questions or require additional information.

Sincerely,



Michael D. Feinstein  
Chair  
Accounting Principles and Assurance Services Committee  
California Society of Certified Public Accountants