BerryDunn

January 22, 2018

Technical Director
File Reference No. 2018-210
FASB
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Madam Technical Director:

We appreciate the opportunity to provide comments on the Proposed Accounting Standards Update (ASU) *Income Statement – Reporting Comprehensive Income (Topic 220) - Reclassification of Certain Tax Effects from Accumulated Other Comprehensive Income*, issued January 18, 2018.

We also appreciate the Board's willingness to address the issue identified as a result of the enactment of the Tax Cuts and Jobs Act of 2017 (the Act) in an expedited manner, given the potential negative effects on regulatory capital of financial institutions and their need to report the effects of the Act in their regulatory reports due at the end of January 2018 and in their financial statements to be issued shortly thereafter.

We would prefer this issue be addressed more broadly by requiring that the effects of changes in tax rates on deferred income taxes related to items classified in accumulated other comprehensive income (AOCI) be reported in other comprehensive income, rather than net income. As the effects of the items themselves, and the income tax effects of the temporary differences these items create, are reported in other comprehensive income, we do not believe it is conceptually sound to report the remeasurement of the income tax effects due to changes in tax law in net income. This would eliminate the need to record the reclassification described in the proposed ASU.

We understand the current requirement to report the effect of changes in tax law in net income arose from a concern that the process of identifying the tax effects of items reported in AOCI that are affected by, and thus need to be remeasured as a result of, changes in tax law would be cumbersome. We do not believe that to be the case. In our experience, as items reported in AOCI are required to be individually disclosed, the tax effects thereof are derived by multiplying those items by an estimated effective tax rate. Remeasuring such items is simply a matter of applying the new estimated rate to them.

That said, we understand the Board's concern that the process of addressing this question more broadly could not be accomplished within the time frame needed to enable financial institutions to avoid the regulatory capital issue noted above. Accordingly, we are supportive of the proposed ASU. We do recommend the Board undertake a project to require the effect of remeasurements of income taxes related to items in AOCI due to changes in tax law be reported within AOCI rather than net income.

Sincerely,

Berry Dunn McNeil & Parker, LLC

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