

Private Company Financial Reporting Committee

401 Merritt 7, PO Box 5116, Norwalk, Connecticut 06856-5116
e-mail: jhodell@fasb.org

203-956-5218
Fax: 203-849-9714



JUDITH H. O'DELL
Chair

July 2, 2009

Mr. Robert Herz
Chairman
Financial Accounting Standards Board
401 Merritt 7
Norwalk, CT 06856

Re: Proposed FASB Staff Position ("FSP") FIN 48-d, *Application Guidance for Pass-through Entities and Tax-Exempt Not-for-Profit Entities and Disclosure Modifications for Nonpublic Entities*

Dear Mr. Herz:

The Private Company Financial Reporting Committee ("PCFRC") has reviewed the Proposed FSP and is pleased to provide the comments below. While the PCFRC continues to have concerns about the usefulness of of FIN No. 48 information in the private company sector, the PCFRC is appreciative of the FASB's development of the proposed FSP and believes that the implementation guidance and disclosure relief offered by the proposed FSP will be well received among private company constituents.

Comments on Specific Points Requested by FASB

1. *This proposed FSP has taken a principles-based approach to provide guidance on the application of Interpretation 48 to pass-through entities and tax-exempt not-for-profit entities. Will the guidance enable those entities to properly apply Interpretation 48? If not, how should the guidance be improved?*

The PCFRC is of the opinion that the principles-based approach taken by the FASB in providing implementation guidance to pass-through entities is operational and provides an effective and adequate framework for pass-through entities. However, the PCFRC believes that the FASB should make clear in the proposed FSP that the accounting for transactions with owners (for example, loans and distributions) has not changed and such transactions should be accounted for under existing applicable standards.

2. *Paragraph 8 of this proposed FSP identifies four issues related to questions about the implementation of Interpretation 48 for pass-through entities and tax-exempt not-for-profit entities. The Board decided not to provide guidance on whether or not a tax is an income tax because that issue applies to many types of entities and goes beyond the scope of the current project. Do you agree with the Board's decision? If not, why not? Are there issues other than those identified in paragraph 8 that the Board should address? If so, please identify those issues and provide suggested guidance. Are there any issues that should not be included? If so, please identify those issues and explain your reasoning.*

Based on the PCFRC's knowledge of the private company sector, guidance on whether or not a tax is an income tax is needed, particularly in response to the emerging trend in state taxation (e.g., Texas, Michigan, Kentucky, New Mexico) toward taxes that are difficult to classify as income tax or non-income tax. The PCFRC understands that the proposed FSP is not the proper vehicle to address this topic. As such, the PCFRC recommends that the FASB initiate a separate project to consider the definition of an income tax.

3. *This proposed FSP would modify the disclosure requirements of Interpretation 48 for nonpublic entities, including nonpublic not-for-profit entities, to eliminate the disclosures required by paragraphs 21(a) and 21(b) of that Interpretation. Do you agree with the proposed modification to the disclosure requirements? If not, why not?*

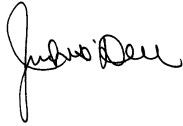
Yes, the PCFRC agrees with the modification to the disclosure requirements and is appreciative of the FASB's willingness to provide this needed disclosure relief to private companies.

The PCFRC has noted that some comment letters submitted on the proposed FSP suggest that the FASB add a requirement for nonpublic entities to disclose the total amount of unrecognized tax benefits as of the balance sheet date. The PCFRC is strongly opposed to adding this additional disclosure requirement. The user representatives on the PCFRC are in agreement that the total amount of unrecognized tax benefits is not useful information and having knowledge of that amount would not affect their decision making and analytics. Private company users are interested in gaining assurance that an entity has recorded all material liabilities related to income taxes. Information about the total amount of unrecognized tax benefits is not actionable to those users.

Furthermore, if a situation arose in which such an amount was relevant to a private company financial statement user, that user can obtain that amount from other sources such as an entity's tax returns, which private company users have access to. Tax returns contain an abundance of information that normally satisfies a private company user's needs in the area of income taxes.

The PCFRC appreciates the FASB's consideration of these comments and recommendations. Please feel free to contact me if you have any questions or comments.

Sincerely,

A handwritten signature in black ink, appearing to read "Judith O'Dell". The signature is fluid and cursive, with a prominent loop at the end.

Judith H. O'Dell
Chair
Private Company Financial Reporting Committee