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August 25, 2011

Ms. Elizabeth M. Murphy  
Secretary  
U.S. Securities and Exchange Commission  
100 F Street, N.E.  
Washington, D.C. 20549-1090

Re: SEC Staff Paper: *Work Plan for the Consideration of Incorporating International Financial Reporting Standards in the Financial Reporting System for U.S. Issuers-Exploring a Possible Method of Incorporation*, File No. 4-600

Dear Ms. Murphy:

On behalf of Tax Executives Institute (TEI), I am pleased to submit comments on the SEC Staff Paper, *Work Plan for the Consideration of Incorporating International Financial Reporting Standards in the Financial Reporting System for U.S. Issuers – Exploring a Possible Method of Incorporation* (“Work Plan”), which was issued by the Commission on May 26, 2011. TEI applauds the SEC Staff for its continuing efforts to evaluate how to incorporate IFRS in the U.S. financial reporting system.

## Background – Tax Executives Institute

Tax Executives Institute was founded in 1944 to serve the professional needs of in-house tax professionals. Today, the organization has 56 chapters in North America, Europe, and Asia, with the large majority of our members working for companies resident in the United States. As the preeminent global organization of corporate tax professionals, TEI has a significant interest in promoting sound tax and regulatory policy, as well as in the fair and efficient administration of the tax laws. Our 7,000 members represent approximately 3,000 of the largest companies in the world.

TEI members are accountants, lawyers, and other employees who are responsible for the tax and financial reporting, compliance, and planning affairs of their employers in executive, administrative, and managerial capacities. Tax professionals deal with accounting principles in two significant ways. First, accounting standards promulgated by the Financial

Accounting Standards Board undergird the books and records that serve as the starting point for tax compliance in the United States. Second, tax executives typically are responsible (alone or in conjunction with other corporate departments) for the implementation of the specific rules for accounting for income taxes that form a part of the financial statements and required disclosures.

## **The SEC Staff Paper Presents a Pragmatic and Realistic Approach to Incorporating IFRS into the U.S. Reporting System**

### **a. General**

TEI applauds the SEC Staff's efforts to evaluate how to incorporate IFRS into the financial reporting system for U.S. issuers. The Staff Paper outlines a pragmatic approach, based on both endorsement and convergence, which is consistent with the broad goal of using a single set of high quality accounting standards for financial reporting purposes.<sup>1</sup> In particular, we note three key aspects of the proposal, which we support:

- First, U.S. GAAP is retained as the statutory basis for financial reporting and is the vehicle for incorporating IFRS. By retaining U.S. GAAP as the framework within which IFRS will be integrated, the need to modify numerous tax regulations, agreements with tax authorities, and other rules that reference U.S. GAAP will be reduced.
- Second, the Financial Accounting Standards Board is retained as the U.S. standard setter to facilitate the incorporation of IFRS into U.S. GAAP.
- Third, implementation is to be effected on a gradual basis, which will temper the significant resource, education, and implementation challenges that attend a wide-ranging regulatory shift.

### **b. Specific Recommendations**

#### **1. FASB's Exercise of its Authority to Modify or Not Follow IFRS Should Be Rare**

Given the FASB's participation in the IASB's standard-setting process, the FASB should be in a position to readily endorse, and integrate into U.S. GAAP, the

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<sup>1</sup>A single set of standards will enhance the ability of users of financial statements (including investors, and regulators) to compare financial information of U.S. companies with that of non-U.S. companies. *Comments of Tax Executives Institute, Inc. on the Proposed Roadmap for the Potential Use of Financial Statements Prepared in Accordance With International Financial Reporting Standards by U.S. Issuers [File Number S7-27-08] (April 20, 2009)*, available at [www.tei.org/news/Pages/IFRSRoadmap.aspx](http://www.tei.org/news/Pages/IFRSRoadmap.aspx).

vast majority of the IASB's modifications to IFRS. There may be instances, however, in which the FASB decides to modify or not follow IFRS. TEI concurs with the Staff Paper that those situations should be "rare," and that any variations from IFRS should be "carefully and deliberately scrutinized through a transparent and comprehensive process." Consistency in global financial reporting standards is critical to creating a single set of financial statements, and all efforts should be undertaken to achieve that objective.

## **2. Category Three Standards (IFRSs Not Subject to Standard Setting)**

Incorporating standards that are not currently the subject of existing projects or other IASB agenda items, so-called Category 3 standards, should be accorded particular attention. Whether these standards are incorporated simultaneously or more gradually into U.S. GAAP, TEI believes a clear timeline for adopting Category 3 standards will allow companies to plan ahead for the implementation. Allowing adequate lead time becomes especially critical if a determination is made that Category 3 IFRSs would be incorporated into U.S. GAAP simultaneously rather than gradually.

## **3. Timeline**

Although the Work Plan does not provide an extensive discussion of a potential timeline for incorporation, TEI agrees that a five- to seven-year timeline is realistic.

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Tax Executives Institute appreciates the opportunity to offer its views on the Work Plan. We look forward to commenting on future SEC releases that bear on the potential migration to IFRS. If you have any questions about the Institute's views, or if we can be of further assistance as the SEC continues its evaluation of how to incorporate IFRS into the financial reporting system for U.S. Issuers, please do not hesitate to contact Donald J. Rath, Chair, TEI Financial Reporting Committee, at 650-584-2697 or [don.rath@synopsys.com](mailto:don.rath@synopsys.com), or Eli J. Dicker, TEI's Chief Tax Counsel, at 202-638-5601 or [edicker@tei.org](mailto:edicker@tei.org).

Sincerely yours,

**Tax Executives Institute, Inc.**



David M. Penney  
*International President*