

# United States Senate

WASHINGTON, DC 20510

September 30, 2019

Mr. Russell G. Golden  
Chair  
Financial Accounting Standards Board  
401 Merritt 7  
PO Box 5116  
Norwalk, CT 06856-5116

Re: File Reference No. 2019-500: Comments on the Revised Exposure Draft for the Proposed Accounting Standards Update to Income Taxes (Topic 740)

Dear Chair Golden:

Thank you for the opportunity to provide our views on changes to the disclosure requirements for income tax information. We write to urge you to reconsider the current draft proposal on tax disclosure. We believe that companies should be mandated to publicly-disclose their income, assets, number of employees, and taxes paid on a country-by-country basis, consistent with the current IRS requirements.

Despite promises of the proponents of the Tax Cuts and Jobs Act (TCJA), the tax cut bill did little to prevent large, multinational companies from engaging in aggressive tax planning. The Congressional Budget Office (CBO) estimated that following the enactment of the TCJA, corporations will shift around \$235 billion in profits offshore each year to avoid taxes.<sup>1</sup> Public country-by-country disclosure is necessary for policymakers to examine economic trends and address important public policy issues. For example, as Congress considers the effect of the recent international tax change, policymakers need to know whether – and how – the new law is encouraging tax avoidance. More complete disclosures will inform future policy debates and lead to better outcomes including potentially stronger, more sustainable markets. Congress, the public, investors, and FASB all share a mutual interest in well-functioning markets.

There continues to be evidence of widespread, unsustainable corporate tax practices. A recent study found that 60 profitable Fortune 500 companies avoided all federal income tax in 2018.<sup>2</sup> Without further disclosure, lawmakers, the public, and investors are unable to ascertain whether these zero percent rates can be explained by tax breaks that are widely considered to be serving

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<sup>1</sup> Congressional Budget Office, "The Budget and Economic Outlook: 2018 to 2028," 9 April 2018. <https://www.cbo.gov/publication/53651>

<sup>2</sup> Matthew Gardner and Steve Wamhoff, "Corporate Tax Avoidance Remains Rampant Under New Tax Law", Institute on Taxation and Economic Policy, 11 April 2019. <https://www.itep.org/notadime/>

important public purposes or if they merely reflect unsustainable tax practices that exploit unintended loopholes. The latter situation is far more likely to change – either through Congressional action or evolving interpretations of tax rules from one administration to the next. Though closing unintended tax loopholes would undeniably be a positive development, modifying tax rules with little warning could have the negative effect of disrupting particular companies and markets. For investors, understanding the sustainability of companies' reported tax rates would be information essential to accurately predicting the companies' true value moving forward.

The international community is headed in the direction of public country-by-country disclosure. By consensus, the G-20 countries have already adopted requirements that large companies provide the country-by-country information to tax authorities. Since those companies will already be collecting the data for submission to tax authorities, the additional cost of making the data public would be relatively small. Similarly, the European Union is in the process of mandating public country-by-country reporting among its member states. The Global Reporting Initiative (GRI) recently laid out a robust public country-by-country standard for its member corporations.

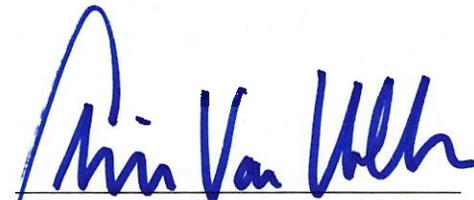
Your review of the current standards is an ideal opportunity to address some of the key deficiencies of the existing GAAP disclosure regime, which discounts the positive impacts of transparency on market sustainability and investor confidence.

We were disappointed that rather than moving in the direction of more disclosure as called for in a previous Senate comment letter (2016-270 Comment Letter No. 50), the latest exposure draft calls for less disaggregation of income and tax information on a country-level basis.

Instead of moving forward with the scaled-back approach, we urge you to adopt revised rules that require companies to disclose – at a minimum – the information companies currently file with the IRS on the agency's country by country tax reporting document (Part I of Form 8975, Schedule A), with appropriate protections for certain sensitive business information.

Thank you for your consideration.

Sincerely,

  
Chris Van Hollen  
United States Senator

  
Bernard Sanders  
United States Senator

  
Richard J. Durbin  
United States Senator

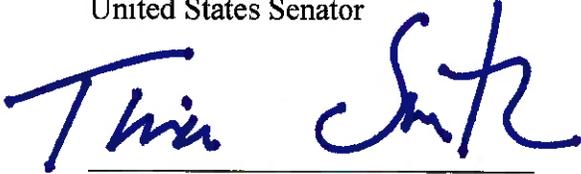
  
Sheldon Whitehouse  
United States Senator



Amy Klobuchar  
United States Senator



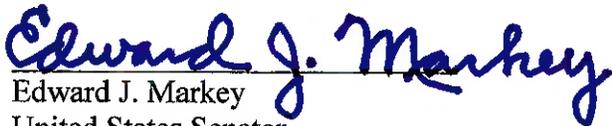
Tammy Duckworth  
United States Senator



Tina Smith  
United States Senator



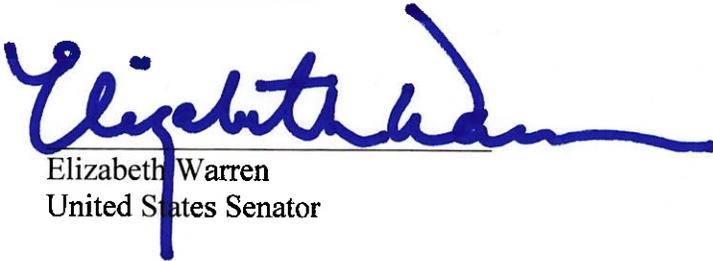
Sherrod Brown  
United States Senator



Edward J. Markey  
United States Senator



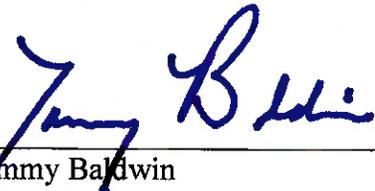
Jack Reed  
United States Senator



Elizabeth Warren  
United States Senator



Richard Blumenthal  
United States Senator



Tommy Baldwin  
United States Senator