

Exposure Draft: Questions for Respondents due September 15, 2016

Tax Expenditures: Management’s Discussion and Analysis and Disclosure Requirements

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	<input type="checkbox"/>	
Government Agency (user)	<input checked="" type="checkbox"/>	
Government Agency (preparer)	<input type="checkbox"/>	
Government Agency (auditor)	<input type="checkbox"/>	
Government Agency (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name: Carla A. Krabbe, Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration

Q1. The Board is proposing that disclosures in notes to the financial statements of the consolidated financial report of the U.S. Government (CFR) include a “plain language” definition of the term tax expenditures, examples of types of tax expenditures, and a description of how tax expenditures impact nonexchange revenue, tax collections, and refunds, as well as whether tax expenditure amounts are presented in the basic financial statements. These proposed disclosure requirements are presented in paragraphs 14-15 on page 14. An illustrative example of how these disclosures might be presented in the notes to the financial statements of the CFR is provided in Appendix D: Illustrations beginning on page 36.

Do you believe that these proposed disclosure requirements related to the notes to the financial statements in the CFR will be helpful to readers? Do you believe the placement of the proposed disclosures in the notes to the financial statements of the CFR is appropriate? Please explain the basis for your view and note any recommended changes in the requirements.

SSA Response: We believe the proposed information on tax expenditures would be helpful, particularly in regard to clarifying terminology that may be counterintuitive for a general reader (i.e. use plain language for both the definition and for examples of tax expenditures). We do not agree with placement in the notes to the financial statements. We believe this information should appear in Other Information (OI).

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Given the uncertain nature and variability of tax expenditure estimates, we would restrict discussion of the topic to the non-audited portion of the CFR.

- Q2.** The Board is proposing that management's discussion and analysis (MD&A) in the CFR include a discussion of tax expenditures, their general purpose, and how they impact the government's financial position and condition. The proposed standards also require discussion of other factors that may affect tax collections in order to place tax expenditure information in an appropriate context. The specific proposed requirements are presented in paragraph 17 and sub-paragraphs 17.a-17.e beginning on page 14. An illustrative example of how these proposed requirements might be presented in MD&A is provided in Appendix D: Illustrations beginning on page 32.

Do you believe that these proposed requirements related to MD&A will be helpful to readers? Do you believe the placement of the proposed requirements in MD&A in the CFR is appropriate? Please explain the basis for your view and note any recommended changes in the requirements.

SSA Response: Again, we think the information on tax expenditures would be helpful to readers. However, we believe this information should appear in OI. Given the uncertain nature and variability of tax expenditure estimates, we would restrict discussion of the topic to the non-audited portion of the CFR.

- Q3.** The Board is proposing to encourage rather than require the presentation of a selection of major tax expenditure estimates, such as those published annually by the Department of the Treasury's (Treasury) Office of Tax Policy, as other information (OI) in the CFR. The proposed information to be encouraged is presented in paragraphs 19-20 and subparagraphs 20.a-20.c. An illustrative example of how this proposed information might be presented in OI is provided in Appendix D: Illustrations beginning on page 38.

Statement of Federal Financial Accounting Concepts (SFFAC) 6 paragraph 5 provides that OI is information that accompanies basic information and required supplementary information (RSI), but is not required by a body that establishes generally accepted accounting principles. For additional information regarding OI, see Appendix C: Characteristics of Other Information beginning on page 30.

The Board's basis for reaching this proposal to encourage such information be included in OI is documented in Appendix A: Basis for Conclusions, beginning on page 16.

Appendix B: Tax Expenditures Explained beginning on page 23 includes important considerations behind the Board's proposal, including how Treasury's Office of Tax Policy prepares tax expenditure estimates and how those estimates can be used and interpreted.

- a.** **Do you believe that the proposed information, as outlined in paragraphs 19-20 and subparagraphs 20.a-20.c would be helpful to readers? Please explain the basis for your view and explain any recommended changes.**

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SSA Response: We agree the information is helpful in terms of providing a sense of the scale of tax expenditures. At the same time, due to the (understandably) uncertain nature of the estimates, we believe these numbers should not appear in an audited section of the CFR in the future.

- b. Do you agree with the Board's rationale for encouraging the presentation of the proposed information as OI in the CFR, as provided in 20.a-20.c? Please explain the basis for your view.

SSA Response: We believe FASAB should encourage the presentation of tax expenditures information in the OI section of the CFR, as such information helps provide additional data that advances Federal financial reporting by providing transparency and context surrounding the general magnitude and impact of tax expenditures on the Government's financial position.

- Q4.** This exposure draft (ED) proposes disclosure requirements and RSI to be included in the notes to the financial statements and MD&A sections of the CFR, respectively, that would support SFFAC 1 Objective 1, Budgetary Integrity, including Sub-objectives 1A and 1C; Objective 2, Operating Performance; and Objective 3, Stewardship.

More detailed discussion of these reporting objectives and sub-objectives and how they are supported by the proposed requirements in this ED can be found in the Purpose section beginning on page 10 and the Appendix A: Basis for Conclusions section beginning on page 16.

Appendix B: Tax Expenditures Explained beginning on page 23 provides additional background which may aid respondents' understanding of tax expenditures, their "plain language" definition, why they are important, how estimates are prepared, and considerations for understanding how estimates can be used.

Are there any other changes that you believe should be made to the proposed Statement? Please provide rationale for your answer.

SSA Response: We have no additional suggestions.