

**Questions for Respondents****Responses Due: September 15, 2023**

**Invitation to Comment**  
***Reexamination of Existing Standards***

**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"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (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:

**Please identify your organization, if applicable.**

Organization:

*Please email your responses to [fasab@fasab.gov](mailto:fasab@fasab.gov). If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.*

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### **FASAB GAAP HIERARCHY QUESTIONS**

**QUESTION 1.1:** The federal GAAP hierarchy in SFFAS 34 provides the sources of accounting principles and the framework for selecting the principles used in the preparation of general purpose financial reports of federal entities that conform with GAAP. **Do you agree that SFFAS 34 clearly and sufficiently explains the federal GAAP hierarchy and its application to federal accounting and reporting?**

**Strongly Agree**

Treasury believes that the SFFAS 34 standard adequately explains the federal GAAP hierarchy.

**QUESTION 1.2:** Have you experienced challenges in applying and using the federal GAAP hierarchy in SFFAS 34 to resolve accounting or reporting issues?

**Neither Agree nor Disagree**

**Please explain your response**, including any perceived challenges with applying SFFAS 34 (for example, utility in applying SFFAS 34 to resolving accounting and

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reporting issues, need to clarify authoritative vs non-authoritative guidance, relationship to other standard setters when FASAB guidance is silent, inconsistencies with different levels of GAAP, or questions regarding the application of “practices that are widely recognized and prevalent in the federal government.”)

Not applicable

### REEXAMINATION OF FASAB STANDARDS QUESTION

**QUESTION 2:** Below are the 23 reexamination topic areas for which the Board is requesting your response. Respondents may review [Appendix A: Reexamination Table of Pronouncements](#)<sup>1</sup> in its entirety for a full understanding. **For each reexamination topic (column 1), please indicate the priority level for reexamination from the following options:**

**(1) High priority:** topic and related SFFASs are of significant concern and should be included in the reexamination with priority. Please provide ***no more than five*** high priority topics.

**(2) Medium priority:** topic and related SFFASs are of concern and should be included in the reexamination, but after high priority topics are addressed.

**(3) Low priority:** topic and related SFFASs are not of concern and do not need to be reexamined at this time.<sup>2</sup>

**Please explain your response, including specific details<sup>3</sup> and examples to support your rationale, especially those ranked high priority and medium priority.** Provide information (including specific SFFAS references where appropriate) that would help the Board understand why the reexamination of a particular SFFAS might take precedence or be considered more important than other SFFASs. To accomplish this, the Board is seeking feedback from respondents on where they believe there are opportunities for the Board to improve guidance within the 23 reexamination topics. This includes the following potential improvements:

- Streamlining authoritative guidance
- Eliminating or revising unclear requirements
- Eliminating disclosures and other required information that may no longer benefit users
- Filling gaps in the standards where the guidance either does not address or does not adequately address areas where federal financial reporting objectives are not being met
- Resolving inconsistencies in current practice

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<sup>1</sup> [Appendix A: Reexamination Table of Pronouncements](#) provides more details regarding how the 61 SFFASs result in 23 reexamination topics for consideration.

<sup>2</sup> The Board anticipates that the topics for reexamination will need to be reassessed in the future.

<sup>3</sup> For example, respondents may offer detail in terms of materiality, audit findings, cost-benefit, or other significant information to explain the need for reexamination of the SFFAS.

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- Clarifying the standards (including addressing areas where the standards are difficult to apply)
- Reconsidering areas where there is significant preparer or audit burden versus perceived value of the information or other cost/benefit concerns
- Considering overlaps or redundancy in requirements

Please be explicit regarding opportunities to eliminate or revise requirements, whether those are in the standards or elsewhere. Stakeholder feedback will give the Board insight on respondent's views on these matters.

<b>Topic #1</b>	<a href="#">SFFAS 1</a> , <i>Accounting for Selected Assets and Liabilities</i> <a href="#">Interpretation 10</a> , <i>Clarification of Non-federal Non-entity FBWT Classification (SFFAS 1, Paragraph 31): An Interpretation of SFFAS 1 and SFFAS 31</i> <a href="#">TB 2020-1</a> , <i>Loss Allowance for Intragovernmental Receivables</i>
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#### High Priority

Technical Bulletin 2020-1: Loss Allowance for Intragovernmental Receivables states that it clarifies existing standards regarding accounts receivable and related recognition standards and reporting, and includes references to paragraphs 40-52 of SFFAS No. 1, Accounting for Selected Assets and Liabilities. FASAB should consider further clarifying whether this Technical Bulletin also applies to Loans Receivable; specifically, whether Intra-governmental Loans Receivable should be subject to the same allowance measurement and recognition criteria as Intra-governmental Accounts Receivable.

<b>Topic #2</b>	<a href="#">SFFAS 2</a> , <i>Accounting for Direct Loans and Loan Guarantees</i> AS AMENDED BY: <a href="#">SFFAS 18</a> , <a href="#">SFFAS 19</a>
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#### Low Priority

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #3</b>	<a href="#">SFFAS 3</a> , <i>Accounting for Inventory and Related Property</i> AS AMENDED BY: <a href="#">SFFAS 48</a> <a href="#">Interpretation 7</a> , <i>Items Held for Manufacture</i>
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#### Low Priority

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #4</b>	<a href="#">SFFAS 4</a> , <i>Managerial Cost Accounting Standards and Concepts</i> AS AMENDED BY: <a href="#">SFFAS 55</a>
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#### Low Priority

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

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<b>Topic #5</b>	<p><a href="#">SFFAS 5</a>, <i>Accounting for Liabilities of The Federal Government</i>  AS AMENDED BY: <a href="#">SFFAS 12</a>, <a href="#">SFFAS 25</a>  <a href="#">Interpretation 2</a>, <i>Accounting for Treasury Judgment Fund Transactions: An Interpretation of SFFAS 4 and SFFAS 5</i>  <a href="#">Interpretation 4</a>, <i>Accounting for Pension Payments in Excess of Pension Expense</i>  <a href="#">TB 2002-1</a>, <i>Assigning to Component Entities Costs and Liabilities that Result from Legal Claims Against the Federal Government</i>  <a href="#">TB 2017-1</a>, <i>Intragovernmental Exchange Transactions</i></p>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #6</b>	<p><a href="#">SFFAS 6</a>, <i>Accounting for Property, Plant, and Equipment</i>  AS AMENDED BY: <a href="#">SFFAS 23</a>, <a href="#">SFFAS 40</a>, <a href="#">SFFAS 50</a>  <a href="#">Interpretation 9</a>, <i>Cleanup Cost Liabilities Involving Multiple Component Reporting Entities: An Interpretation of SFFAS 5 &amp; SFFAS 6</i>  <a href="#">TB 2006-1</a>, <i>Recognition and Measurement of Asbestos-Related Cleanup Costs</i> (as amended by <a href="#">TB 2009-1</a> and <a href="#">TB 2011-2</a>)  <a href="#">TB 2017-2</a>, <i>Assigning Assets to Component Reporting Entities</i></p>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #7</b>	<p><a href="#">SFFAS 7</a>, <i>Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>  AS AMENDED BY: <a href="#">SFFAS 20</a>, <a href="#">SFFAS 21</a>, <a href="#">SFFAS 53</a>  <a href="#">Interpretation 5</a>, <i>Recognition by Recipient Entities of Receivable Nonexchange Revenue: An Interpretation of SFFAS 7</i>  <a href="#">Interpretation 11</a>, <i>Debt Cancellation: An Interpretation of SFFAS 7, Paragraph 313</i>  <a href="#">TB 2002-2</a>, <i>Disclosures Required by Paragraph 79(g) of SFFAS 7 Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting</i>  <a href="#">TB 2017-1</a>, <i>Intragovernmental Exchange Transactions</i></p>
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**High Priority**

Treasury (and the IRS) selects SFFAS No. 7 as a high priority for reexamination and seeks both an accounting change for the treatment of compliance assessments that it believes will lead to a fuller application of accrual accounting and further guidance related to exchange and nonexchange transactions. Below are the two separate areas for consideration.

1. Compliance Assessments vs. Federal Taxes Receivables

**BACKGROUND**

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Treasury's reporting of federal taxes receivables is currently in compliance with Federal Generally Accepted Accounting Principles (GAAP) that was established in 1996. This is primarily addressed under the standard for Statement of Federal Financial Accounting Standards (SFFAS) No. 7, Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting. The Federal Accounting Standards Advisory Board (FASAB) wrote this standard in close collaboration with the IRS who was the primary stakeholder in this standard's origination.

SFFAS No. 7 requires unpaid assessments to be categorized as either taxes receivable, compliance assessment, or write-off. Assessments are primarily categorized as taxes receivable (and recorded on the balance sheet) when the receivable is supported by a taxpayer's agreement, such as filing of a tax return without sufficient payment, or a court ruling in favor of the IRS. Assessments are categorized as compliance assessments if the taxpayer has not agreed, nor a court has affirmed the assessment is owed to the Federal Government. Examples include assessments resulting from an IRS audit or examination in which the taxpayer does not agree with the results. In accordance with SFFAS No. 7, compliance assessments are currently not reported as federal taxes receivables on the balance sheet unless there is a taxpayer's agreement or favorable court ruling. Write-offs are assessments for which the IRS does not expect further collections due to factors such as taxpayers' bankruptcy, insolvency, or death.

Currently, SFFAS No. 7 forces Treasury (and the IRS) to materially underreport its federal taxes receivables by not allowing the reporting of compliance assessments in its Federal Taxes Receivable, Net. The IRS submitted a Technical Inquiry to the FASAB on April 1, 2021, requesting a change to SFFAS No. 7 to allow it to include compliance assessments to Federal Taxes Receivables on its financial statements. It was decided not to pursue a change at that time due to the upcoming standards reexamination project.

**SFFAS No. 7 RECOGNITION OF RECEIVABLES**

Recognition of Receivables, SFFAS No. 1, Paragraph 41 states, "A receivable should be recognized when a federal entity establishes a claim to cash or other assets against other entities, either based on legal provisions, such as a payment due date (e.g., taxes not received by the date they are due), or goods or services provided. If the amount is unknown, a reasonable estimate should be made."

SFFAS No. 7, Paragraph 48 states, "Nonexchange revenues are inflows of resources that the Government demands or receives by donation. Such revenue should be recognized when a specifically identifiable, legally enforceable claim to resources arises to the extent that collection is probable (more likely than not), and the amount is reasonably estimable. Nonexchange revenue should be measured by the collecting entities but should be recognized by the entities legally entitled to the revenue (the recipient entities). Paragraphs 49 through 63 describe the application of this general standard."

SFFAS No. 7, Paragraph 53 states, "Accounts receivable should be recognized when a collecting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets through its established assessment processes to the extent the amount is measurable."

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This definition of accounts receivable from nonexchange transactions requires the standard for recognition of accounts receivable to be amended so that such receivables are not recognized on the basis of payment due dates but rather on the basis of the completion of the assessment processes. Under such processes, assessments are enforceable claims for which specific amounts due have been determined and the person(s) or entities from whom the tax or duty is due have been identified. Assessments include both self-assessments made by persons filing tax returns or entry documents and assessments made by the collecting entities.”

FASAB wrote SFFAS No. 7 in close collaboration with the IRS because it recognized the IRS was the primary federal entity affected by accounting for taxes receivable addressed in the standard. When SFFAS No. 7 was originally drafted, the IRS did not have the ability to accurately estimate future collections of its reported compliance assessments. Though the IRS was able to state the amounts of total taxpayer compliance assessments in its records, it had no ability to determine if the dollar amount of the compliance assessments would be collected. Therefore, the IRS historically has been unable to meet the specific requirements of SFFAS No. 7, Paragraphs 48 and 53 that would allow it to recognize billions of dollars of compliance assessments as federal taxes receivables on its financial statements. The IRS can currently meet the specific requirements of SFFAS No. 7, Paragraphs 48 and 53 for recognizing compliance assessments as federal taxes receivables.

**THE EFFECT OF SFFAS No. 7, PARAGRAPHS 54 AND 55 ON THE RECOGNITION OF COMPLIANCE ASSESSMENTS AS FEDERAL TAXES RECEIVABLES**

SFFAS No. 7, Paragraph 53 defines the proper recognition of accounts receivables. Based on the SFFAS No. 7, Paragraph 53 specific and detailed requirements, the IRS should be able to include the amount of compliance assessments that meet the standard as federal taxes receivables on its financial statements as detailed above. However, the additional language in SFFAS No. 7, Paragraphs 54 and 55 prohibit including compliance assessments as federal taxes receivables on IRS’s financial statements.

SFFAS No. 7, Paragraph 54 states, “Assessments recognized as accounts receivable include tax returns filed by the taxpayer (or customs documents filed by the importer) without sufficient payments, taxpayer agreements to assessments at the conclusion of an audit or to a substitute for a return (or importer agreements to supplemental assessments), court actions determining an assessment, and taxpayer (or importer) agreements to pay through an installment agreement or through accepted offers in compromise. Receivables determined to be currently not collectable are included, but assessments where there is no future collection potential such as where the taxpayer (or importer) has been either insolvent or deceased for specified periods are not included. Accounts receivable, therefore, include only unpaid assessments made through the end of the period plus related fines, penalties, and interest. Accounts receivable do not include amounts received or due with tax returns received after the close of the reporting period or amounts that are compliance assessments or pre-assessment work in process.”

SFFAS No. 7, Paragraph 55 states, “Compliance assessments and pre-assessment work in process may or may not be legally assessed depending on the resolution of subsequent events.  
A. Compliance assessments are proposed assessments by the collecting entity in definitive



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amounts, but the taxpayer (or importer) still has the right to disagree or object, such as in the case of assessments made at the conclusion of an audit (or at the conclusion of a review by an import specialist or when a violation of applicable law is discovered), or the issuance by the IRS of a substitute for a return, or where assessment is in appeals or in the tax court. These compliance assessments may become accounts receivable if the taxpayer files an amended return (or Customs' protest/retention period lapses), or an appeal or court action finally determines the assessment, or the taxpayer (importer) agrees to pay currently or through an installment agreement, or an offer in compromise is accepted."

Compliance assessments did not meet the specific recognition requirements of SFFAS No. 7, Paragraphs 48 and 53 when issued on May 10, 1996. FASAB and the IRS concurred that the IRS did not have the financial information or financial systems to meet the requirements of the SFFAS standards as it relates to recognizing compliance assessments as federal taxes receivables on its financial statements. The IRS position is that SFFAS No. 7, Paragraphs 54 and 55 were written to state in fact that at that time compliance assessments did not meet the requirements of SFFAS No. 7, Paragraphs 48 and 53, and allowed for the IRS to exclude these compliance assessments from its federal taxes receivable balance. It was never the intention to forever exclude compliance assessments from recognition as federal taxes receivables once they met the requirements of SFFAS No. 7, Paragraphs 48 and 53. The specific language in SFFAS No. 7, Paragraph 175 makes it clear once the IRS establishes that compliance assessments became probable and reasonably estimable, they should be recognized as federal taxes receivables.

Potential Changes. SFFAS No. 7, Paragraph 175 states, "Requirements for disclosures, supplementary information, and other accompanying information compensate to some extent for the modified cash basis of accounting for taxes and duties being approved at this time. In the future, the Board plans to evaluate users' satisfaction with reports prepared on the basis of the standard and to give consideration to improvements being made in IRS's processes and related management information systems. Based on this evaluation and consideration, it may propose to extend the degree of application of accrual accounting in several years' time. In the interim, the Board will permit changes in accounting made at the initiative of a collecting entity if the changes represent a fuller application of accrual accounting than that prescribed by the standard. For example, compliance assessments for taxes or unasserted claims for drawbacks may be recognized rather than shown as supplementary information if the amounts are both probable and reasonably estimable."

It is generally understood that the intent of SFFAS No. 7, Paragraphs 48, 53, 54, 55, and 175 was to assure the IRS did not include compliance assessments in federal taxes receivable until it met the overall requirements of the SFFAS standards. However, the actual language of Paragraphs 54 and 55 prohibits the IRS from including compliance assessments as federal taxes receivables in perpetuity even though the IRS is currently able to meet the requirements of Paragraphs 48 and 53.

## **IMPACT OF COMPLIANCE ASSESSMENTS ON TAXES RECEIVABLES**

For accounting financial reporting purposes, the IRS has implemented a collectability model

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which can now reasonably estimate the collection value of compliance assessments. The collectability model uses econometric measures to assess collectability at the module level for each specific taxpayer. At the end of fiscal year 2022, the collectability model estimated the current collectible value of all compliance assessments to be over \$16.5 billion from a total gross compliance assessment balance of \$88.4 billion (approximately 18% collectable). Following the current SFFAS standards, the IRS did not report the \$88.4 billion in gross compliance assessments on its financial statements in the current displayed category “Federal Taxes Receivables”. The \$16.5 billion dollars the IRS can establish as collectable out of the \$88.4 billion gross compliance assessments is not reported on the financial statements as “Federal Taxes Receivable, Net”; even though the \$88.4 billion gross compliance amount has cleared the legal taxpayer demand process, and the IRS has a legal right to collect these amounts subject to the 10-year collection statute. The IRS can empirically support that the \$88.4 billion gross compliance assessments have a collection value of \$16.5 billion. If the IRS continues to follow the SFFAS standards, it can expect to underreport its net federal taxes receivable going forward. Thus, the IRS believes not reporting compliance assessments as federal taxes receivables annually will lead to financial statements that are materially misleading.

**CONCLUSION**

It is Treasury’s (and IRS’s) position that SFFAS No. 7 should be reexamined and rewritten in a manner that allows it to include compliance assessments as federal taxes receivables on its financial statements if they meet the account receivable recognition definitions of SFFAS No. 7, Paragraphs 48 and 53. The IRS has compliance assessments that meet SFFAS No. 7, Paragraph 53 which states, “Accounts receivable should be recognized when a collecting entity establishes a specifically identifiable, legally enforceable claim to cash or other assets through its established assessment processes to the extent the amount is measurable.” Specifically, the current language in SFFAS No. 7, Paragraphs 54 and 55 that prohibits the IRS from recognizing compliance assessments in its federal tax receivables should be changed.

The IRS agrees there are distinct criteria stated in SFFAS No. 7, Paragraph 53 that must be met for non-exchange revenue to be recognized. These criteria are that the revenue must be identifiable and legally enforceable, collection is probable, and the amounts are reasonably estimable. The IRS can meet each of these criteria. The IRS proposes to include as an accounts receivable (taxes receivable) only the compliance assessment amounts that can be historically and empirically demonstrated to be collectible. Also, compliance assessments will be included as taxes receivable only at the point in the process that a legally enforceable action can or has been taken to collect such assessments. It is only at the point the IRS has sent the required demand notices that the assessment becomes an enforceable claim that the IRS includes in the population of a compliance assessment. All unpaid assessments are the result of the completed assessment process. Compliance assessments are legally enforceable and with its collectability model, the IRS can now reasonably estimate their value. Under SFFAS No. 7, the IRS has the authority to recognize compliance assessments as a receivable if they can support the amounts are both probable and reasonably estimable. The proposed change in reporting methodology would more accurately reflect the economic collection value of compliance assessments. This reporting change will not result in a change to the lines currently



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presented on any of the financial statements but will result in an increase in value presented for each line. The required supplemental information would remove the line for compliance assessments and be included in Federal Taxes Receivable, Net.

2. Exchange/Nonexchange Revenue

**BACKGROUND**

The IRS is seeking further guidance related to exchange and nonexchange revenue transactions as described in SFFAS No. 7. This standard has not been revised in more than 25 years. The paragraphs below discuss the challenges faced by the IRS in reporting revenue on the financial statements which is being reported on different financial statements depending on whether the revenue is considered exchange or nonexchange.

**SFFAS 7 EXCHANGE/NONEXCHANGE REVENUE INTERPRETATION BY THE IRS AS IT RELATED TO THE QUALIFIED TAX COLLECTION CONTRACTS**

The IRS currently accounts for taxes received from the public as nonexchange revenue on the Statement of Custodial Activity in accordance with SFFAS No. 7. Tax collections are collected on behalf of the U.S. Government and are swept to the General Fund of the U.S. Government to be used by Congress to fund the Federal government or transferred to legislatively authorized special funds to fund specific programs directly.

The program that is currently creating an interpretation issue for the IRS is the Private Debt Collection program. Per 26 U.S. Code § 6306, qualified tax collection contracts, provides that the IRS may retain up to 50% of collections from Private Collection Agents as further described below:

“(e) FEES The Secretary may retain and use (1) an amount not in excess of 25 percent of the amount collected under any qualified tax collection contract for the costs of services performed under such contract, and (2) an amount not in excess of 25 percent of such amount collected to fund the special compliance personnel program account under section 6307.”

To fund this program, the IRS reports the tax revenue collected via the qualified tax collection agents to the appropriate general fund receipt account per its appropriate tax class as nonexchange revenue. The IRS then transfers up to 50 percent of the amounts collected to a special fund receipt account via a financing transfer to create a special appropriation to create budget authority for the IRS to fund its corresponding expenditures per the law.

Prior to a finding from the GAO, the IRS reported the amounts collected and transferred to the special fund receipt account (up to 50 percent of the original tax revenue) via a financing source transfer as nonexchange revenue since the original source of the revenue is tax revenue and per SFFAS No. 7 tax revenue is nonexchange. This retained revenue was thus reported on the Statement of Changes in Net Position due to it being nonexchange. However, per the GAO, they interpreted SFFAS No. 7 to state the IRS should report this financing source transfer of revenue retained as exchange revenue per SFFAS No. 7, Paragraph 60.3 and that it be

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reported on the Statement of Net Cost.

SFFAS No. 7, Paragraph 60.3 states, “When legally retained by the collecting entity as a reimbursement of the cost of collection, revenue should be recognized as an exchange revenue and deducted in determining the collecting entity’s net cost of operations.”

The IRS disagreed with GAO’s interpretation of SFFAS No. 7 as it applied to this program and argued per Paragraph 2, “Nonexchange revenues arise primarily from exercise of the Government’s power to demand payments from the public (e.g., taxes, duties, fines, and penalties) ...” and therefore should remain as nonexchange. Further, Paragraph 245 states the following:

“245. Tax receipts are generally collected from the public by the IRS (Internal Revenue Service) and, to a lesser extent, by the Customs Service and other entities acting as agents for the recipient entities rather than on their own behalf. The collecting entity receives the cash and then transfers it to the General Fund, trust fund, or special fund on whose behalf it was collected. The amount so collected should be accounted for as a custodial activity by the collecting entity. The tax is recognized as a nonexchange revenue by the entity that is legally entitled to the amount. This would be a trust fund or special fund in the case of an earmarked (i.e., dedicated) tax. If collected on behalf of the Government as a whole, it would be recognized in the Government-wide consolidated financial statements.”

GAO’s interpretation still differed from the IRS for the revenue retained for the Private Debt Collection program. The GAO interprets Paragraph 60.3 to apply to the retained revenues. Due to this continued disagreement on the proper interpretation and treatment of this revenue, the IRS requested a technical inquiry with the FASAB. The FASAB concluded that they agreed with the GAO only to the extent that the 25 percent of the amount collected under any qualified tax collection contract for the costs of services performed under such contract should be reported as exchange revenue per the current interpretation of Paragraph 60.3. However, the FASAB concluded that the 25 percent of such amount collected to fund the special compliance personnel program account under section 6307 does “not meet the definition of exchange revenue, nor do they meet the definition of nonexchange revenue”.

The GAO disagreed with FASAB’s interpretation in their response to the technical inquiry from the IRS and the IRS has thus posted the 25 percent of the amount collected under any qualified tax collection contract for the costs of services performed under such contract as exchange and the 25 percent of such amount collected to fund the special compliance personnel program account under section 6307 as nonexchange.

However, the IRS concludes that tax revenue collected on behalf of the Federal government should be specifically excluded from the requirements of Paragraph 60.3. because there was nothing of value given to or received by another party in relation to the amounts transferred to legislatively authorized special funds.

SFFAS No. 7, Paragraph 353 provides additional guidance on custodial transfers, as follows:

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“353. Disposition of revenue to other entities: custodial transfers. Revenue, primarily nonexchange revenue, may be collected by an entity acting on behalf of the General Fund or another entity within the Government on whose behalf it was collected. The collecting entity accounts for the disposition of revenue as part of its custodial activity. These custodial transfers, by definition, do not affect the collecting entity’s net cost of operations or operating results, nor are they part of the reconciliation between its obligations and net cost of operations. (The receiving entity recognizes the revenue as nonexchange or exchange revenue, depending on its nature, according to the applicable revenue standards.)”

#### CONCLUSION

An interpretation of SFFAS No. 7, Paragraph 60.3 leads to a position that nonexchange revenue transferred to a special funds or trust funds for the purposes of collection and compliance programs should be classified as exchange revenue. Reporting tax collections as exchange revenue is contrary to the preponderance of guidance for the recognition of tax revenue. Taxes collected from the public and subsequently retained by the IRS for the Private Debt Collection programs should be presented on the Statement of Changes in Net Position as nonexchange and not on the Statement of Net Cost. The IRS requests that FASAB edits language to SFFAS No. 7, Paragraph 60.3 to clarify the proper categorization of exchange versus nonexchange revenues when an entity has the legal authority to retain revenues.

<b>Topic #8</b>	<a href="#">SFFAS 10</a> , <i>Accounting for Internal Use Software</i>
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#### Low Priority

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

	<a href="#">SFFAS 15</a> , <i>Management’s Discussions and Analysis</i> <sup>4</sup>
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#### Low Priority

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #9</b>	<a href="#">SFFAS 17</a> , <i>Accounting for Social Insurance</i> AS AMENDED BY: <a href="#">SFFAS 26</a> , <a href="#">SFFAS 37</a>
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#### Low Priority

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #10</b>	<a href="#">SFFAS 24</a> , <i>Selected Standards for the Consolidated Financial Report of the United States Government</i>
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<sup>4</sup> SFFAS 15, *Management’s Discussions and Analysis*, is excluded from reexamination because the SFFAS is currently being reviewed under an active Board project. Respondents may provide general comments and feedback for the Board’s consideration.

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	<a href="#">SFFAS 32</a> , <i>Consolidated Financial Report of the United States Government Requirements: Implementing Statement of Federal Financial Accounting Concepts 4 "Intended Audience and Qualitative Characteristics for the Consolidated Financial Report of the United States Government"</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #11</b>	<a href="#">SFFAS 27</a> , <i>Identifying and Reporting Funds from Dedicated Collections</i> AS AMENDED BY: <a href="#">SFFAS 43</a>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #12</b>	<a href="#">SFFAS 29</a> , <i>Heritage Assets and Stewardship Land</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #13</b>	<a href="#">SFFAS 31</a> , <i>Accounting for Fiduciary Activities</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #14</b>	<a href="#">SFFAS 33</a> , <i>Pensions, Other Retirement Benefits, and Other Postemployment Benefits: Reporting the Gains and Losses from Changes in Assumptions and Selecting Discount Rates and Valuation Dates</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #15</b>	<a href="#">SFFAS 34</a> , <i>The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #16</b>	<a href="#">SFFAS 36</a> , <i>Comprehensive Long-Term Projections for the U.S. Government</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

**Invitation to Comment**  
***Reexamination of Existing Standards***

<b>Topic #17</b>	<a href="#">SFFAS 38</a> , <i>Accounting for Federal Oil and Gas Resources</i> <a href="#">TB 2011-1</a> , <i>Accounting for Federal Natural Resources Other Than Oil and Gas</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #18</b>	<a href="#">SFFAS 39</a> , <i>Subsequent Events: Codification of Accounting and Financial Reporting Standards Contained in the AICPA Statement on Auditing Standards</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #19</b>	<a href="#">SFFAS 44</a> , <i>Accounting for Impairment of General Property, Plant, and Equipment Remaining in Use</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #20</b>	<a href="#">SFFAS 47</a> , <i>Reporting Entity</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #21</b>	<a href="#">SFFAS 49</a> , <i>Public-Private Partnerships: Disclosure Requirements</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #22</b>	<a href="#">SFFAS 51</a> , <i>Insurance Programs</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

<b>Topic #23</b>	<a href="#">SFFAS 52</a> , <i>Tax Expenditures</i>
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**Low Priority**

Topic and related SFFASs are not of concern and do not need to be reexamined at this time

**Invitation to Comment**  
***Reexamination of Existing Standards***

	<a href="#">SFFAS 54, Leases<sup>5</sup></a> AS AMENDED BY: <a href="#">SFFAS 57</a> , <a href="#">SFFAS 60</a> , <a href="#">SFFAS 61</a> <a href="#">TB 2023-1, Intragovernmental Leasehold Reimbursable Work Agreements</a>
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No additional comments at this time, please refer to comments submitted through Exposure Draft responses.

	<a href="#">SFFAS 56, Classified Activities<sup>6</sup></a> <a href="#">Interpretation 8, An Interpretation of Statement of Federal Financial Accounting Standards 56, Classified Activities</a>
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No comments at this time

	<a href="#">SFFAS 59, Accounting and Reporting of Government Land<sup>7</sup></a>
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No comments at this time

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<sup>5</sup> SFFAS 54, *Leases*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.

<sup>6</sup> SFFAS 56, *Classified Activities*, is excluded from the reexamination project due to the topic. Respondents may provide general comments and feedback for the Board's consideration.

<sup>7</sup> SFFAS 59, *Accounting and Reporting of Government Land*, is excluded from the reexamination project because the SFFAS is not yet effective. Respondents may provide general comments and feedback for the Board's consideration.