



November 22, 2024

The Honorable Chris Van Hollen
Chair
Subcommittee on Financial Services and
General Government
U.S. Senate Committee on Appropriations
Washington, DC 20510

The Honorable Bill Hagerty
Ranking Member
Subcommittee on Financial Services and
General Government
U.S. Senate Committee on Appropriations
Washington, DC 20510

The Honorable David Joyce
Chair
Subcommittee on Financial Services and
General Government
U.S. House Committee on Appropriations
Washington, DC 20515

The Honorable Steny Hoyer
Ranking Member
Subcommittee on Financial Services and
General Government
U.S. House Committee on Appropriations
Washington, DC 20515

Re: Harmful House Rider Punishes the Financial Accounting Standards Board (FASB) for Advancing Long-Overdue Transparency for Multinational Corporations

Dear Chairmen Van Hollen and Joyce, and Ranking Members Hagerty and Hoyer,

As a non-partisan alliance of more than 100 state, national, and international organizations committed to transparency, we are writing to urge appropriators to drop a harmful rider (sec. 556) proposed in the House bill (H.R. 8773) that would prohibit the Securities and Exchange Commission from approving the budget of the Financial Accounting Standards Board (FASB), unless it withdraws a long-awaited income tax disclosure rule.¹

The FASB's well-considered revision of existing accounting standards,² set to take effect in early 2025 after nearly a decade of debate,³ will substantially improve how U.S. companies report their

¹ "H.R.8773 - Financial Services and General Government Appropriations Act, 2025," Introduced June 17, 2024, <https://www.congress.gov/bill/118th-congress/house-bill/8773/text>.

² FACT Coalition, "U.S. Accounting Standard-Setters Unanimously Approve New Tax Transparency Measures," Press Release, August 31, 2023, <https://thefactcoalition.org/u-s-accounting-standard-setters-unanimously-approve-new-tax-transparency-measures/>.

³ *The FASB first issued the proposed accounting standards update (ASU) on income tax (Topic 740) in 2016. See Financial Accounting Standards Board, Amendment of the FASB Accounting Standards Codification, Income Taxes*

income taxes on financial statements. These changes will reflect income taxes paid across jurisdictions, as well as how public companies detail the difference between their effective tax rates and the domestic statutory corporate tax rate. **Such disclosures dramatically improve the availability of material foreign and other tax information for investors, policymakers, and the general public.**

As an independent, private-sector, not-for-profit organization – and as the U.S. accounting standards setter for the past five decades – the FASB has historically had the freedom to update financial reporting standards without reprisal, to ensure investors and other users of financial statements have access to material, decision-useful information. In revising accounting requirements under Topic 740, the FASB is responding to demand from investors that see this information as vital to understanding the tax-related risks and opportunities facing companies in which they invest.⁴ A handout⁵ presented ahead of the FASB’s August 2023 board meeting noted that “The Board and the staff met with 54 investors through 83 interactions since 2020 to understand their requests for more transparent income tax information in the financial statements. Investors broadly supported the project and the proposed Update.”

In July of this year, a related petition was filed on behalf of 87 investors with more than \$2.3 trillion in assets under management asking the Securities and Exchange Commission (SEC) to take up a complementary rulemaking to require public country-by-country disclosures of tax and other key financial data material to investors.⁶

(Topic 740), No. 2023-09, p. 22, December 2023,
[https://www.fasb.org/page/ShowPdf?path=ASU%202023-09.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-09%E2%80%94Income%20Taxes%20\(Topic%20740\):%20Improvements%20to%20Income%20Tax%20Disclosures](https://www.fasb.org/page/ShowPdf?path=ASU%202023-09.pdf&title=ACCOUNTING%20STANDARDS%20UPDATE%202023-09%E2%80%94Income%20Taxes%20(Topic%20740):%20Improvements%20to%20Income%20Tax%20Disclosures).

⁴ In 2021, another letter with 63 investors representing \$2.9 trillion in assets under management submitted a letter to FASB calling for increased disclosures. See FACT Coalition, “Investors Call on Financial Accounting Standards Board to Prioritize Public Country-by-Country Tax Reporting,” Letter, September 23, 2021,
<https://thefactcoalition.org/investors-call-on-financial-accounting-standards-board-to-prioritize-public-country-by-country-tax-reporting>. This letter was built on a similar call to FASB from investors representing \$1 trillion in assets under management in 2019. See Elise Hansen, “Investors Urge FASB To Require Tax Reporting By Country,” Law360, June 3, 2019,

<https://www.law360.com/tax-authority/articles/1165515/investors-urge-fasb-to-require-tax-reporting-by-country>.

⁵ Financial Accounting Standards Board, “Board Meeting Handout, Targeted Improvements to Income Tax Disclosures, August 30, 2023,” August 30, 2023,
<https://www.fasb.org/page/showpdf?path=TAXDISC-BMHO-20230830.pdf&title=May%2017,%202023%20Board%20Meeting%20Handout>.

⁶ FACT Coalition, “Investors with More than \$2.3 Trillion in Assets Demand SEC Rulemaking to Require Greater Multinational Tax Transparency,” Press Release, July 31, 2024,
<https://thefactcoalition.org/investors-with-more-than-2-3-trillion-in-assets-demand-sec-rulemaking-to-require-greater-multinational-tax-transparency>.

FACTCOALITION

As a 2022 report by the FACT Coalition examined,⁷ investors and other users of financial statements face unnecessary risks because they lack meaningful insight into tax, as well as related capital risks and opportunities facing large multinational enterprises. For instance, Coca-Cola currently faces an IRS tax bill of up to \$16 billion, equivalent to more than one year of the company's profits.⁸ Meanwhile, Apple paid an outstanding \$14 billion tax bill this quarter after losing a dispute in the European Union, dropping its quarterly profit by 36 percent.⁹

Transfer pricing cases against companies like Coca-Cola and Apple demonstrate how risky tax practices can impact a corporation's bottom line, to the detriment of investors. It's clear investors need additional data to make informed decisions about companies in their portfolios.

During the FASB's consideration of increased disclosures under Topic 740, thirteen U.S. senators submitted a comment supporting increased transparency, stating, "More complete disclosures will inform future policy debates and lead to better outcomes including potentially stronger, more sustainable markets. Congress, the public, investors, and the FASB all share a mutual interest in well-functioning markets."¹⁰ **Preserving the FASB's resources – and its independence – should be an important policy priority for U.S. lawmakers.**

As such, we urge you to exclude Sec. 556 (H.R. 8773) from the final negotiated appropriations package. Thank you for your consideration. If you have any questions, please contact Thomas Georges (tgeorges@thefactcoalition.org).

Sincerely,

Ian Gary
Executive Director

Erica Hanichak
Government Affairs Director

⁷ FACT Coalition, "A Material Concern: The Investor Case for Public Country-by-Country Tax Reporting," Report, July 2022,

<https://thefactcoalition.org/report/a-material-concern-the-investor-case-for-public-country-by-country-tax-reporting>.

⁸ Stephen Foley and Gregory Meyer, "How a \$16bn tax stand-off stays unseen in Coca-Cola's earnings," *Financial Times*, August 7, 2024, <https://www.ft.com/content/cd05fb4b-8e67-4996-a5f3-bf1b8ccdf3af>.

⁹ Tripp Mickle, "Apple's Quarterly Profit Down Because of Tax Payment in Europe," *New York Times*, October 31, 2024, <https://www.nytimes.com/2024/10/31/technology/apple-profit-earnings.html>.

¹⁰ "Van Hollen, Democratic Senators Urge Greater Transparency In Tax Disclosures," September 30, 2019, <https://www.vanhollen.senate.gov/news/press-releases/van-hollen-democratic-senators-urge-greater-transparency-in-tax-disclosures>; *For letter text and signatories, see* <https://www.vanhollen.senate.gov/imo/media/doc/Financial%20Accounting%20Standards%20Board%20Letter%209.30.19.pdf>.

FACTCOALITION

Zorka Milin
Policy Director

Cc:

The Honorable Patty Murray, Chair, U.S. Senate Committee on Appropriations
The Honorable Susan Collins, Vice Chair, U.S. Senate Committee on Appropriations
The Honorable Tom Cole, Chair, U.S. House Committee on Appropriations
The Honorable Rosa DeLauro, Ranking Member, U.S. House Committee on Appropriations
Members of the U.S. Senate Committee on Appropriations
Members of the U.S. House Committee on Appropriations

FACTCOALITION

1100 13th Street, NW, Suite 800 | Washington, DC | 20005 | USA
www.thefactcoalition.org