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October 6, 2022

Hillary H. Salo
Technical Director
Financial Accounting Standards Board
401 Merritt 7, PO Box 5116
Norwalk, CT 06856-5116

Via Email to director@fasb.org

Re: File Reference No. 2022-004

Dear Ms. Salo:

Grant Thornton LLP appreciates the opportunity to comment on the Proposed Accounting Standards Update, *Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method (a consensus of the Emerging Issues Task Force)*. We agree that economically similar tax equity investments should be eligible to be accounted for similarly. This would reduce complexity and cost for reporting entities since they would be able to apply a similar accounting model to similar investments.

Our responses to selected questions for respondents follow.

Question 1: Do you agree that a reporting entity's tax equity investment that meets the conditions in paragraph 323-740-25-1 as amended by this proposed Update should be able to elect to use the proportional amortization method? That is, do you agree that the conditions are appropriate? If not, please explain why.

We agree that the equity investments that meet the conditions in paragraph 323-740-25-1 should be eligible for the proportional amortization method.

Question 2: Should the condition in paragraph 323-740-25-1(aa) be retained? Should only an investor that does not have the ability to exercise significant influence over the operating and financial policies of the underlying project be able to elect to apply the proportional amortization method to its tax equity investment? Please explain why or why not. What would be the impact of removing that condition?

We believe that an investor that is able to exercise significant influence over the operating and financial policies of the project that generates the income tax credits and other income tax benefits should not be eligible to apply the proportionate amortization method, and should instead apply the equity method of accounting. We believe that there is a substantive difference between investments in which the investor has the ability to significantly influence the investee and other investments, and that inconsistent accounting for investments where significant influence exists could reduce comparability for users.

Question 3: Are the conditions in paragraph 323-740-25-1 as amended by this proposed Update operable and auditable? Please describe the nature and magnitude of costs and any operability or auditing concerns, differentiating between one-time costs and recurring costs.

Yes, the conditions in paragraph 323-740-25-1 are operable and auditable.

Question 5: Do you agree that applying the proportional amortization method to investments that meet the conditions in paragraph 323-740-25-1 as amended by this proposed Update should be an accounting policy election, or should those investments be required to be accounted for using the proportional amortization method? Please explain why or why not.

We agree that the proportional amortization method should be an accounting policy election. We acknowledge that policy elections create non comparability in the financial statements, however we believe that requiring a mandatory application of proportional amortization method will increase cost of applying the guidance. Current guidance that is applicable to investments in LIHTC structures is optional and a mandatory application may require some investors in those structures that did not perform an analysis to determine whether their investments can be accounted for under proportional amortization method, to perform the analysis at the time of adoption, which will require such investors to incur additional cost. In addition, all entities will be required to evaluate the scope considerations and spend ongoing cost after the effective date of the ASU to document whether their tax credit investments are within the scope of proportional amortization method.

Question 6: Do you agree that the accounting policy election should be made on a tax-credit-program-by-tax-credit-program basis? That is, should an entity be able to elect to apply the proportional amortization method to investments in certain tax credit programs and not to apply it to investments in certain other tax credit programs? If not, at which level should the accounting policy election be applied (for example, for all investments in tax credit programs that meet the conditions in paragraph 323-740-25-1 as amended by this proposed Update or at the individual investment level)?

We agree that the accounting policy election should be made on a tax-credit-program-by-tax-credit-program basis.

Question 7: Is a tax-credit-program-by-tax-credit-program accounting policy election understandable, operable, and auditable? Please explain why or why not.

Yes, the tax-credit-program-by-tax-credit-program accounting policy election understandable, operable, and auditable.

Question 8: Under existing GAAP, LIHTC investments that do not qualify for the proportional amortization method or equity method are accounted for using the cost method. The proposed amendments would expand the use of the cost method in Subtopic 323-740 to other tax equity investment programs. Should tax equity investments that are not accounted for under the proportional amortization method or the equity method be permitted to apply the cost method, or should they be required to apply Topic 321?

We believe that the investments that do not qualify to be accounted for under the proportional amortization method or equity method should be within the scope of ASC 321. Such guidance will align the accounting for equity investments. In addition, non-LIHTC tax equity investments are currently accounted for under ASC 321.

In addition, we note that the amendments to ASC 323-740-25-2 would require entities to apply the guidance in ASC 323-30 rather than ASC 970-323 to investments in projects that generate income tax credits and other income tax benefits that are not accounted for under the proportional amortization method (“... the investment shall be accounted for in accordance with ASC 323-30.”) ASC 323-740-25-2A states that the cost method may be appropriate for investments in projects that generate income tax credits and other income tax benefits. It is unclear to us how ASC 323-30, which would apply to all investments not accounted for under the proportional amortization method, permits use of the cost method, and we believe the Task Force should consider whether removing the reference to ASC 970-323 might have unintended consequences for existing LIHTC investors.

Question 10: Do you agree that the proposed disclosures should apply to tax equity investments that generate credits through a tax credit program for which the entity has elected to apply the proportional amortization method, including investments that do not meet the conditions in paragraph 323-740-25-1 as amended in this proposed Update? If not, please explain why.

We agree with the proposed disclosure requirements.

Question 11: Are the proposed disclosures operable to produce and auditable? Please describe the nature and magnitude of costs and any operability or auditing concerns, differentiating between one-time costs and recurring costs.

Yes, we believe that the proposed disclosure requirements are auditable.

Question 12: Do you agree with the proposed transition provisions? Please explain why or why not.

We agree with the proposed transition approach.

Question 14: Are there any specific private company considerations that should be brought to the Board’s attention.

We are not aware of any specific private company considerations related to this proposal.

We would be pleased to discuss our comments with you. If you have any questions, please contact Rahul Gupta, Partner at 312 602 8084 or Rahul.Gupta@us.gt.com or Ryan Brady, Partner at 312 602 8741 or Ryan.Brady@us.gt.com.

Sincerely,

/s/ Grant Thornton LLP