FINANCIAL ACCOUNTING SERIES

Accounting Standards Update

No. 2015-17
November 2015

Income Taxes (Topic 740)

Balance Sheet Classification of Deferred Taxes

An Amendment of the *FASB Accounting Standards Codification®*

Financial Accounting Standards Board

The *FASB Accounting Standards Codification*® is the source of authoritative generally accepted accounting principles (GAAP) recognized by the FASB to be applied by nongovernmental entities. An Accounting Standards Update is not authoritative; rather, it is a document that communicates how the Accounting Standards Codification is being amended. It also provides other information to help a user of GAAP understand how and why GAAP is changing and when the changes will be effective.

For additional copies of this Accounting Standards Update and information on applicable prices and discount rates contact:

Order Department
Financial Accounting Standards Board
401 Merritt 7
PO Box 5116
Norwalk, CT 06856-5116

Please ask for our Product Code No. ASU2015-17.

FINANCIAL ACCOUNTING SERIES (ISSN 0885-9051) is published quarterly by the Financial Accounting Foundation. Periodicals postage paid at Norwalk, CT and at additional mailing offices. The full subscription rate is $242 per year. POSTMASTER: Send address changes to Financial Accounting Standards Board, 401 Merritt 7, PO Box 5116, Norwalk, CT 06856-5116. | **No. 424**

FASB Accounting Standards Update

No. 2015-17
November 2015

Income Taxes (Topic 740)

Balance Sheet Classification of Deferred Taxes

An Amendment of the *FASB Accounting Standards Codification*®

Financial Accounting Standards Board

Accounting Standards Update 2015-17

Income Taxes (Topic 740)

Balance Sheet Classification of Deferred Taxes

November 2015

CONTENTS

Page
Numbers

Summary

Why Is the FASB Issuing This Accounting Standards Update (Update) and What Are the Main Provisions?

The Board is issuing this Update as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles (GAAP) for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of financial statements.

Current GAAP requires an entity to separate deferred income tax liabilities and assets into current and noncurrent amounts in a classified statement of financial position. Stakeholders informed the Board that the requirement results in little or no benefit to users of financial statements because the classification does not generally align with the time period in which the recognized deferred tax amounts are expected to be recovered or settled. In addition, there are costs incurred by an entity to separate deferred income tax liabilities and assets into a current and noncurrent amount.

To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments in this Update apply to all entities that present a classified statement of financial position. The current requirement that deferred tax liabilities and assets of a tax-paying component of an entity be offset and presented as a single amount is not affected by the amendments in this Update.

The amendments in this Update will align the presentation of deferred income tax assets and liabilities with International Financial Reporting Standards (IFRS). IAS 1, *Presentation of Financial Statements,* requires deferred tax assets and liabilities to be classified as noncurrent in a classified statement of financial position.

When Will the Amendments Be Effective and What Are the Transition Requirements?

For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods.

For all other entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018.

Earlier application is permitted for all entities as of the beginning of an interim or annual reporting period.

The amendments in this Update may be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. If an entity applies the guidance prospectively, the entity should disclose in the first interim and first annual period of change, the nature of and reason for the change in accounting principle and a statement that prior periods were not retrospectively adjusted. If an entity applies the guidance retrospectively, the entity should disclose in the first interim and first annual period of change the nature of and reason for the change in accounting principle and quantitative information about the effects of the accounting change on prior periods.

Amendments to the *FASB Accounting Standards Codification®*

Introduction

1. The Accounting Standards Codification is amended as described in paragraphs 2–5. In some cases, to put the change in context, not only are the amended paragraphs shown but also the preceding and following paragraphs. Terms from the Master Glossary are in **bold** type. Added text is underlined, and deleted text is ~~struck out~~.

Amendments to Subtopic 740-10

2. Amend paragraphs 740-10-45-4 and 740-10-45-6 and supersede paragraphs 740-10-45-5 and 740-10-45-7 through 45-10 and their related headings, with a link to transition paragraph 740-10-65-4, as follows:

Income Taxes—Overall

Other Presentation Matters

> > Deferred Tax Accounts

740-10-45-4 In a classified statement of financial position, an entity shall ~~separate~~ classify deferred tax liabilities and assets ~~into a current amount and a~~ as noncurrent amounts ~~amount~~. ~~Deferred tax liabilities and assets shall be classified as current or noncurrent based on the classification of the related asset or liability for financial reporting.~~

740-10-45-5 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~The **valuation allowance** for a particular tax jurisdiction shall be allocated between current and noncurrent deferred tax assets for that tax jurisdiction on a pro rata basis.~~

740-10-45-6 For a particular tax-paying component of an entity and within a particular tax jurisdiction, all ~~current deferred tax liabilities and assets shall be offset and presented as a single amount and all noncurrent~~ deferred tax liabilities and assets, as well as any related **valuation allowance**, shall be offset and presented as a single noncurrent amount. However, an entity shall not offset deferred tax liabilities and assets attributable to different tax-paying components of the entity or to different tax jurisdictions.

~~**> > > Deferred Tax Accounts Related to an Asset or Liability**~~

740-10-45-7 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~A **deferred tax liability** or **asset** for a **temporary difference** that is related to an asset or liability shall be classified as current or noncurrent based on the classification of the related asset or liability.~~

740-10-45-8 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~A temporary difference is related to an asset or liability if reduction of the asset or liability causes the temporary difference to reverse. As used here, the term *reduction* includes amortization, sale, or other realization of an asset and amortization, payment, or other satisfaction of a liability.~~

~~**> > > Deferred Tax Accounts Not Related to an Asset or Liability**~~

740-10-45-9 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~A deferred tax liability or asset that is not related to an asset or liability for financial reporting (see paragraphs 740-10-25-24 through 25-26), including deferred tax assets related to **carryforwards**, shall be classified according to the expected reversal date of the temporary difference.~~

740-10-45-10 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~A deferred tax liability or asset for a temporary difference may not be related to an asset or liability because there is no associated asset or liability or reduction of an associated asset or liability will not cause the temporary difference to reverse. The classification required by the preceding paragraph disregards any additional temporary differences that may arise and is based on the criteria used for classifying other assets and liabilities.~~

3. Amend paragraphs 740-10-55-1 through 55-2, 740-10-55-15, and 740-10-55-63 and supersede paragraphs 740-10-55-77 through 55-78 and their related headings and 740-10-55-205 through 55-211 and their related headings, with a link to transition paragraph 740-10-65-4, as follows:

Implementation Guidance and Illustrations

General

740-10-55-1 This Section is an integral part of the requirements of this Subtopic. This Section provides additional guidance and illustrations that address the application of accounting requirements to specific aspects of accounting for **income taxes**, including ~~the statement of financial position classification of deferred tax accounts and~~ disclosures. The guidance and illustrations that follow, unless stated otherwise, assume that the tax law requires offsetting net deductions in a particular year against net taxable amounts in the 3 preceding years and then in the 15 succeeding years. These assumptions about the tax law are for illustrative purposes only. This Subtopic requires that the enacted tax law for a particular tax jurisdiction be used for recognition and measurement of deferred tax liabilities and assets.

> Implementation Guidance

740-10-55-2 The ~~following~~ guidance is organized as follows ~~in three categories~~:

a. Application of accounting requirements for income taxes to specific situations
b. Subparagraph superseded by Accounting Standards Update No. 2015-17. ~~Statement of financial position classification of deferred income taxes~~
c. Income tax related disclosures.

> > Application of Accounting Requirements for Income Taxes to Specific Situations

> > > The Need to Schedule Temporary Difference Reversals

740-10-55-15 Reversal patterns of existing temporary differences may need to be scheduled under the requirements of this Subtopic as follows:

a. Subparagraph superseded by Accounting Standards Update No. 2015-17. ~~Deferred taxes are classified as current or noncurrent based on the classification of the related asset or liability. Therefore, scheduling is required only for deferred taxes not related to a specific asset or liability.~~
b. Deferred tax assets are recognized without reference to offsetting, and then an assessment is made about the need for a valuation allowance. Paragraph 740-10-30-18 lists four possible sources of taxable income that may be available to realize such deferred tax assets. In many cases it may be possible to determine without scheduling that expected future taxable income (see paragraph 740-10-30-18(b)) will be adequate to eliminate the need for a valuation allowance. Disclosure of the amounts and expiration dates (or a reasonable aggregation of expiration dates) of operating loss and tax credit carryforwards is required only on a tax basis and does not require scheduling.
c. The adoption of a tax rate convention for measuring deferred taxes when graduated tax rates are a significant factor will, in many cases, eliminate the need for the scheduling. In addition, **alternative minimum tax** rates and laws are a factor only in considering the need for a valuation allowance for a deferred tax asset for alternative minimum tax credit carryforwards. When there is a phased-in change in tax rates, however, scheduling will often be necessary. See paragraphs 740-10-55-24; 740-10-55-31 through 55-33; and Examples 14 through 16 (paragraphs 740-10-55-129 through 55-138).

> > > Examples of Temporary Differences

740-10-55-63 The Omnibus Budget Reconciliation Act of 1987 requires family-owned farming businesses to use the accrual method of accounting for tax purposes. The initial catch-up adjustment to change from the cash to the accrual method of accounting is deferred. It is included in taxable income if the business ceases to be family-owned (for example, it goes public). It also is included in taxable income if gross receipts from farming activities in future years drop below certain 1987 levels as set forth in the tax law. The deferral of the initial catch-up adjustment for that change in accounting method for tax purposes gives rise to a temporary difference because an assumption inherent in an entity's statement of financial position is that the reported amounts of assets and liabilities will be recovered and settled. Under the requirements of this Topic, deferred tax liabilities may not be eliminated or reduced because an entity may be able to delay the settlement of those liabilities by delaying the events that would cause taxable temporary differences to reverse. Accordingly, the deferred tax liability is recognized. If the events that trigger the payment of the tax are not expected in the foreseeable future, the reversal pattern of the related temporary difference is indefinite~~ and the deferred tax liability should be classified as noncurrent~~.

~~> > Statement of Financial Position Classification of Deferred Income Taxes~~

~~> > > Accounting Change for Tax Purposes~~

740-10-55-77 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~The deferred tax liability or asset associated with an accounting change for tax purposes would be classified like the associated asset or liability if reduction of that associated asset or liability will cause the temporary difference to reverse. If there is no associated asset or liability or if the temporary difference will reverse only over a period of time, the deferred tax liability or asset would be classified based on the expected reversal date of the specific temporary difference. Example 27 (see paragraph 740-10-55-205) illustrates this guidance.~~

~~> > > Method of Reporting Construction Contracts Differs for Tax and Book~~

740-10-55-78 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~An entity reports **revenue** on **contracts** with **customers** using a measure of progress to depict performance over time in accordance with the guidance in paragraphs 606-10-25-31 through 25-37 and paragraphs 606-10-55-16 through 55-21 for financial reporting that is different from the recognition pattern used for tax purposes (for example, when the contract is completed). The temporary differences do not relate to an asset or liability that appears on the entity's statement of financial position; the temporary differences will only reverse when the contracts are completed. Receivables or **contract assets** that result from progress billings can be collected with no effect on the temporary differences; likewise, contract retentions can be collected with no effect on the temporary differences, and the temporary differences will reverse when the contracts are~~

~~deemed to be complete even if there is a waiting period before retentions will be received. Accordingly, the entity would classify the deferred tax liability based on the estimated reversal of the related temporary differences. Deferred tax liabilities related to temporary differences that will reverse within the same time period used in classifying other contract-related assets and liabilities as current (for example, an operating cycle) would be classified as current.~~

> Illustrations

~~> > Example 27: Accounting Change for Tax Purposes~~

740-10-55-205 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~This Example illustrates the statement of financial position classification guidance in 740-10-55-77 for certain types of deferred income taxes but does not encompass all possible circumstances.~~

740-10-55-206 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~An entity changes its method of handling bad debts for tax purposes from the cash method to the reserve method. Ten percent of the effect of the change at the beginning of calendar year 19X1 will be included as a deduction from taxable income each year for 10 years. The entity uses a one-year time period as the basis for classifying current assets and current liabilities on its statement of financial position. At December 31, 19X1, the amount of the effect of the change that is yet to be included as a deduction from taxable income and the balance of the related deferred income taxes are as follows.~~

~~Amount of the effect of the change that is yet to be included as a deduction from taxable income (9/10 of total effect of the change)~~	~~$5,125,000~~
~~Deferred tax asset (40 percent is the enacted tax rate - no valuation allowance deemed necessary)~~	~~$2,050,000~~

740-10-55-207 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~The deferred tax asset does not relate to trade receivables or provisions for doubtful accounts because collection or write-off of the receivables will not cause the temporary differences to reverse; the temporary differences will reverse over time. Accordingly, the entity would classify the deferred tax asset based on the scheduled reversal of the related temporary differences. One-ninth of the remaining temporary differences are scheduled to reverse in 19X2, so one-ninth of the related deferred tax asset would be classified as current at December 31, 19X1 ($227,778).~~

~~> > Example 28: Unremitted Earnings of Foreign Subsidiaries~~

740-10-55-208 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~This Example illustrates the statement of financial position classification guidance in Section 740-10-45 for certain types of deferred income taxes but does not encompass all possible circumstances.~~

740-10-55-209 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~An entity provides U.S. income taxes on the portion of its unremitted foreign earnings that are not considered to be permanently reinvested in its consolidated foreign subsidiary. The foreign earnings are included in U.S. taxable income in the year in which dividends are paid. The entity uses a one-year time period as the basis for classifying current assets and current liabilities on its statement of financial position. At December 31, 19X1, the accumulated amount of unremitted earnings on which taxes have been provided and the balance of the related deferred income taxes are as follows.~~

~~Accumulated unremitted earnings on which taxes have been provided:~~	
~~Expected to be remitted within one year~~	~~$9,800,000~~
~~Not expected to be remitted within one year~~	~~2,700,000~~
~~Total~~	~~$12,500,000~~
~~Accumulated deferred tax liability related to unremitted earnings~~	~~$1,250,000~~

740-10-55-210 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~The deferred tax liability does not relate to an asset or liability on the consolidated statement of financial position; the temporary difference will only reverse when the unremitted earnings are received from the foreign subsidiary by the parent. A payment between consolidated affiliates does not change the consolidated statement of financial position, so no item on the consolidated statement of financial position would be liquidated. Unremitted earnings expected to be remitted within the next year represent 78 percent of the total unremitted earnings for which tax has been provided ($9,800,000/$12,500,000). Therefore, 78 percent of the related deferred tax liability would be classified as current on the consolidated statement of financial position ($975,000).~~

740-10-55-211 Paragraph superseded by Accounting Standards Update No. 2015-17. ~~If the subsidiary were accounted for on the equity method rather than consolidated (for example, a subsidiary reported on the equity method in separate parent entity financial statements), the deferred income taxes would relate to the recorded investment in the subsidiary. The payment of dividends that causes the reversal of the temporary difference would be accompanied by a reduction of the recorded investment in the subsidiary. Therefore, the deferred tax liability would be classified the same as the related investment in the subsidiary.~~

4. Add paragraph 740-10-65-4 and its related heading, as follows:

> Transition Related to Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*

740-10-65-4 The following represents the transition and effective date information related to Accounting Standards Update No. 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*:

a. The pending content that links to this paragraph shall be effective as follows:
   1. For **public business entities**, for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods.
   2. For entities other than public business entities, for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018.
b. Earlier application of the pending content that links to this paragraph is permitted for all entities as of the beginning of any interim or annual reporting period.
c. The pending content that links to this paragraph may be applied prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented.
d. An entity that applies the pending content that links to this paragraph prospectively shall disclose the following in the first interim and first annual period of adoption:
   1. The nature of and reason for the change in accounting principle
   2. A statement that prior periods were not retrospectively adjusted.
e. An entity that applies the pending content that links to this paragraph retrospectively shall disclose the following in the first interim and first annual period of adoption:
   1. The nature of and reason for the change in accounting principle
   2. Quantitative information about the effects of the accounting change on prior periods.

5. Amend paragraph 740-10-00-1, by adding the following items to the table, as follows:

740-10-00-1 The following table identifies the changes made to this Subtopic.

Paragraph	**Action**	**Accounting Standards Update**	**Date**
Public Business Entity	Added	2015-17	11/20/2015
740-10-45-4	Amended	2015-17	11/20/2015
740-10-45-5	Superseded	2015-17	11/20/2015

Paragraph	Action	Accounting Standards Update	Date
740-10-45-6	Amended	2015-17	11/20/2015
740-10-45-7 through 45-10	Superseded	2015-17	11/20/2015
740-10-55-1	Amended	2015-17	11/20/2015
740-10-55-2	Amended	2015-17	11/20/2015
740-10-55-15	Amended	2015-17	11/20/2015
740-10-55-63	Amended	2015-17	11/20/2015
740-10-55-77	Superseded	2015-17	11/20/2015
740-10-55-78	Superseded	2015-17	11/20/2015
740-10-55-205 through 55-211	Superseded	2015-17	11/20/2015
740-10-65-4	Added	2015-17	11/20/2015

The amendments in this Update were adopted by the unanimous vote of the seven members of the Financial Accounting Standards Board:

Russell G. Golden, *Chairman*
James L. Kroeker, *Vice Chairman*
Daryl E. Buck
Thomas J. Linsmeier
R. Harold Schroeder
Marc A. Siegel
Lawrence W. Smith

Background Information and Basis for Conclusions

Introduction

BC1. The following summarizes the Board's considerations in reaching the conclusions in this Update. It includes reasons for accepting certain approaches and rejecting others. Individual Board members gave greater weight to some factors than to others.

BC2. The Board is issuing this Update as part of its initiative to reduce complexity in accounting standards (the Simplification Initiative). The objective of the Simplification Initiative is to identify, evaluate, and improve areas of generally accepted accounting principles for which cost and complexity can be reduced while maintaining or improving the usefulness of the information provided to users of the financial statements.

Background

BC3. At the October 22, 2014 Board meeting, the Board added to its agenda a project with the objective of simplifying the presentation of deferred tax assets and liabilities. At that meeting, the Board tentatively decided to require that all deferred tax assets and liabilities be presented as noncurrent in a classified statement of financial position. On January 22, 2015, the Board issued proposed Accounting Standards Update, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes,* for public comment. The Board received 29 comment letters addressing the questions included in the proposed Update. Most respondents supported the proposed Update, citing that the proposed amendments would reduce costs and complexity while not affecting the usefulness of the information.

Presentation

BC4. To simplify the presentation of deferred income taxes, the amendments in this Update require that deferred tax liabilities and assets be classified as noncurrent in a classified statement of financial position. The amendments eliminate the guidance in Topic 740 that requires an entity to separate deferred tax liabilities and assets into a current amount and a noncurrent amount in a classified statement of financial position. The amendments in this Update have no effect on entities that do not present a classified statement of financial position.

BC5. Under current GAAP, in a classified statement of financial position, deferred tax liabilities and assets are separated into a current amount and a noncurrent amount on the basis of the classification of the related asset or liability for financial reporting. Deferred tax liabilities and assets that are not related to an asset or liability for financial reporting are classified according to the expected reversal date of the temporary difference. The Board noted that the classification required by current GAAP does not provide users of financial statements with useful information because the current and noncurrent classification generally does not reflect when a temporary difference will reverse and become a taxable or deductible item. Therefore, the classification requirements under current GAAP create unnecessary cost and complexity.

BC6. The Board considered an alternative that would have required that an entity separate deferred tax liabilities and assets into a current amount and a noncurrent amount on the basis of the estimated timing of reversal of the temporary differences. Some Board members noted that this alternative might provide more useful information than either current GAAP or the amendments in this Update because the classification would have been based on when the temporary difference is expected to reverse. However, other Board members observed that the reversal of a temporary difference does not necessarily equate to a cash inflow or outflow at the time of the reversal. For example, a deferred tax asset that exists at the end of an annual reporting period might be expected to reverse in the next 12 months, but the reversal might result in the recognition of a different deferred tax asset (for example, a net operating loss carryforward) or an income tax receivable. Furthermore, those Board members observed that determining when a temporary difference is expected to reverse might be impractical for many types of temporary differences (for example, predicting the timing of reversal of temporary differences for available-for-sale securities). The Board decided not to pursue this alternative because it would have increased cost and complexity compared with both current GAAP and the amendments in this Update and because of the limitations of the usefulness of the information.

BC7. To meet the objective of simplifying the presentation of deferred income taxes, the Board decided to require noncurrent classification of all deferred tax liabilities and assets in a classified statement of financial position. The Board acknowledged that the noncurrent classification for all deferred tax liabilities and assets is not pure conceptually. However, this simplification will reduce cost and complexity without decreasing the usefulness of information provided to users of financial statements. In addition, the Board noted that the income taxes disclosures are being evaluated as part of the disclosure framework project and that project would be a better place to consider whether there is enhanced information about accounting for income taxes that could be provided to users that cannot be adequately communicated through classification.

Disclosure

BC8. The Board decided not to change existing disclosure requirements for income taxes because (a) current GAAP includes disclosure requirements that provide users of financial statements with information about deferred tax liabilities and assets and (b) as part of the project on disclosure framework, the Board is evaluating income taxes disclosures more broadly than the issue addressed in this Update.

Effective Date and Transition

BC9. For public business entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2016, and interim periods within those annual periods. For all other entities, the amendments in this Update are effective for financial statements issued for annual periods beginning after December 15, 2017, and interim periods within annual periods beginning after December 15, 2018. The Board also decided to permit earlier application by all entities as of the beginning of any interim or annual reporting period. The decisions on the effective date for interim and annual periods for other than public business entities are consistent with the guidelines in the *Private Company Decision-Making Framework: A Guide for Evaluating Financial Accounting and Reporting for Private Companies*.

BC10. Some respondents noted that there would be minimal transition costs and indicated that because the Update's goal is simplification, earlier application should be permitted for all entities so they could benefit from the simplified accounting as soon as possible. On the basis of that feedback, the Board decided to allow earlier application so that all entities may benefit from the amendments in this Update at an earlier date.

BC11. The Board decided that the amendments in this Update can be applied either prospectively to all deferred tax liabilities and assets or retrospectively to all periods presented. In reaching that decision, the Board considered stakeholders' feedback that the incremental costs of retrospective application will be minimal, and that the benefits of increased comparability justify those costs. However, because the Board thinks that neither the current guidance nor the new guidance for classification of deferred tax liabilities and assets provides particularly useful information, the Board decided not to require retrospective application.

Benefits and Costs

BC12. The objective of financial reporting is to provide information that is useful to present and potential investors, creditors, donors, and other capital market participants in making rational investment, credit, and similar resource allocation decisions. However, the benefits of providing information for that purpose should justify the related costs. Present and potential investors, creditors, donors, and other users of financial information benefit from improvements in financial reporting, while the costs to implement new guidance are borne primarily by present investors. The Board's assessment of the costs and benefits of issuing new guidance is unavoidably more qualitative than quantitative because there is no method to objectively measure the costs to implement new guidance or to quantify the value of improved information in financial statements.

BC13. The amendments in this Update are expected to reduce cost and complexity because an entity no longer is required to separate deferred tax liabilities and assets into a current and noncurrent amount. This eliminates the need for an entity to analyze whether deferred tax items are related to specific assets or liabilities for financial reporting and determine the corresponding classification of those specific assets or liabilities. The amendments also eliminate the need to estimate the timing of reversal of temporary differences for classification in situations in which a deferred tax liability or asset is not related to an asset or liability for financial reporting.

BC14. Furthermore, the classification required by current GAAP does not provide users of financial statements with useful information. This simplification will decrease the cost and complexity in current GAAP without affecting the quality of information provided to users of financial statements.

Amendments to the XBRL Taxonomy

The amendments to the *FASB Accounting Standards Codification*® in this Accounting Standards Update require changes to the U.S. GAAP Financial Reporting Taxonomy (Taxonomy). Those changes, which will be incorporated into the proposed 2016 Taxonomy, are available for public comment through ASU Taxonomy Changes provided at www.fasb.org, and finalized as part of the annual release process started in September 2015.