U.S. Chamber of Commerce

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December 15, 2025

The Honorable Paul S. Atkins
Chairman
U.S. Securities and Exchange Commission
100 F Street N.E.
Washington, D.C. 20549

Re: Accounting Standards Update 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*

Dear Chaiman Atkins:

On behalf of the U.S. Chamber of Commerce, we are writing to raise a matter of urgent, widespread concern among U.S. businesses that also threatens to undermine your important deregulatory and disclosure-reform agendas. As summarized below, Accounting Standards Update 2023-09 is poised to dramatically impact U.S. companies' income tax disclosures but reflects neither the high-quality accounting standards nor the financial materiality essential to any effective regulatory regime. We are also increasingly concerned about the substantial implementation and compliance costs facing U.S. companies under ASU 2023-09, with many having to hire additional personnel and invest in the development of new systems and processes. Taken together, we believe these deficiencies provide a compelling case for the Commission to recommend the withdrawal or suspension of ASU 2023-09 before companies are required to file their first annual reports thereunder in early 2026.

High-Quality Accounting Standards

U.S. companies must prepare their financial statements in accordance with U.S. Generally Accepted Accounting Principles ("GAAP"), as issued by the Financial Accounting Standards Board ("FASB"). The objective of GAAP financial reporting is to provide financial information about the reporting company that is useful to existing and potential investors, lenders, and other creditors in making decisions about providing resources to the company.[1] Reliable financial reporting is critical to supporting capital allocation decisions. It is, therefore, incumbent on the FASB to

[1] Fin. Acct. Stand. Bd., *Statement of Financial Accounting Concepts No. 8, Conceptual Framework for Financial Reporting: Chapter 1, The Objective of General Purpose Financial Reporting* para. OB2, at 1 (as amended, Dec. 2021).

promote high-quality accounting standards that are focused solely on driving reliable financial reporting and not used as a backdoor to achieve political or social agendas.

Under existing GAAP, companies already disclose robust amounts of income tax information in their financial statements and footnotes for investors.[2] In issuing ASU 2023-09, however, the FASB voted to impose significant *additional* income tax disclosure requirements on U.S. companies in two broad areas: rate reconciliation and income taxes paid. For annual periods beginning after December 15, 2024, ASU 2023-09 generally requires public companies to disclose a variety of disaggregated quantitative and qualitative information in each area, broken out by jurisdiction (i.e., federal (national), state and local, and foreign).

Instead of being driven by a compelling need, ASU 2023-09 reflects the efforts of politically driven activists in seeking to compel firms to disclose information—using GAAP under the guise of providing decision-useful information for investors—to name, shame, or otherwise vilify companies, influence tax policy, increase taxes on businesses, and deter investment.[3] Demands for increased income tax disclosures that derive from a politically driven narrative—namely, that corporations do not pay their "fair share"—are neither based on an investor mandate nor in the best interests of investors generally. Any information disclosed in the GAAP financial statements and footnotes should reflect, not drive, income tax policy and regulation. In this regard, ASU 2023-09 leaves much to be desired.

Financial Materiality

Alongside high-quality accounting standards, regulation based on financial materiality is a bedrock feature of the U.S. capital markets. The materiality standard ensures that investors have the information they need while protecting them from "information overload" and preventing regulators or politicians from using corporate disclosure to pursue objectives that may be at odds with investor interests.[4] As you

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[2] Companies are also required to confidentially report more granular income tax information to relevant domestic and foreign taxing authorities to ensure compliance with applicable tax laws. But financial disclosures to facilitate investment decision-making and confidential tax reporting to ensure compliance are two fundamentally different—and mutually exclusive—propositions.

[3] *See, e.g.*, Søren Dalby et al., *ESG Tax Transparency*, Tax Exec., Sept.–Oct. 2021, at 17–18 (explaining that stakeholders focused on environmental, social, and governance ("ESG") issues—rather than bedrock pecuniary fundamentals—expect companies to conduct their tax affairs in a sustainable manner, measured in terms of good tax governance and paying their "fair share," with such stakeholders viewing the public disclosure of a company's approach to tax, the amount of taxes paid, and where those taxes are paid as important elements of sustainability).

[4] *E.g.*, Evan Williams, U.S. Chamber Ctr. for Cap. Mkts. Competitiveness, *Effective, Material Corporate Disclosure Is the Cornerstone of U.S. Capital Markets* (Oct. 13, 2022),

succinctly stated in your recent address on "Revitalizing America's Markets at 250," our capital markets thrive not through the volume of disclosures, but the clarity and importance of them to investors.[5]

This focus on clarity and importance *to investors* is reflected in the FASB's own Conceptual Framework,[6] which recognizes materiality as a foundational concept in GAAP standard-setting:

> While disclosures have relevance to a broad range of entities, they may not be material to all entities to which they apply. Materiality decisions must be made by each individual entity. As such, the Board should establish requirements that are not so prescriptive that they preclude reporting entities from making materiality judgments.[7]

As the Chamber and others previously warned,[8] ASU 2023-09 directly contravenes this principle with bright-line, prescriptive materiality requirements for tax disclosures that apply to all entities. Case in point, ASU 2023-09 requires public companies to separately disclose items in the rate reconciliation—including foreign tax effects (by jurisdiction and nature), the effect of cross-border tax laws, tax credits, nontaxable or nondeductible items—if the effect of those reconciling items is equal to or greater than 5% of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate.[9] Furthermore, ASU 2023-09 requires all entities, both public and private, to disclose the amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid

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https://www.uschamber.com/finance/corporate-governance/effective-material-corporate-disclosure-is-the-cornerstone-of-u-s-capital-markets.

[5] Paul S. Atkins, Chairman, Sec. Exch. Comm'n, Speech at the New York Stock Exchange: Revitalizing America's Markets at 250 (Dec. 2, 2025), https://www.sec.gov/newsroom/speeches-statements/atkins-120225-revitalizing-americas-markets-250.

[6] FASB's Conceptual Framework, which comprises a series of "Concepts Statements," is intended to provide fundamental concepts that will be the basis for development of financial accounting and reporting standards.

[7] Fin. Acct. Standards Bd., *Statement of Financial Accounting Concepts No. 8, Conceptual Framework for Financial Reporting: Chapter 8, Notes to Financial Statements* para. D23, at 6–7 (as amended, Dec. 2021).

[8] Letter from Tom Quaadman, Exec. Vice President, and Watson M. McLeish, Senior Vice President, Chamber of Com. of the U.S., to Richard R. Jones, Chair, Fin. Acct. Standards Bd. (May 30, 2023), https://www.uschamber.com/assets/documents/5.30.23-USCC-Comment-on-FASB-Exposure-Draft-Income-Tax-Disclosures_FINAL.pdf.

[9] Fin. Acct. Standards Bd., *Accounting Standards Update 2023-09, Income Taxes (Topic 740): Improvements to Income Tax Disclosures* 2 (Dec. 2023).

(net of refunds received) is equal to or greater than 5% of total income taxes paid (net of refunds received).[10]

The Chamber remains deeply concerned about the decision usefulness to investors of these extensive new income tax disclosures and the propensity for such information to be misinterpreted or misapplied. Like the SEC, the FASB must root its disclosure requirements in the concept of financial materiality, which it clearly failed to do in ASU 2023-09. We respectfully ask the Commission to recommend that the FASB withdraw ASU 2023-09 or, at a minimum, suspend its application until all bright-line, prescriptive materiality requirements can be removed.

Cost Constraint Limitation

Beyond the fundamental flaws described above, ASU 2023-09 also contravenes other important limitations on requirements to provide information in notes to financial statements. Most notably, ASU 2023-09 flouts the overarching cost constraint limitation that requires the benefits of providing the information to justify the costs of providing and consuming it.[11] Stakeholder comments submitted in response to the FASB's exposure draft lay bare the substantial implementation and compliance costs facing U.S. companies thereunder. And these comments were amplified by an economic study that surveyed 152 different U.S. companies across various industries and found potential cost increases as high as 62% in impacted business functions.[12] On average across all firms surveyed, the reported estimates of cost increases for items and activities like software, staffing, training, administration, compliance, and equipment was approximately 9.9%.[13] This record of negative stakeholder feedback and economic survey data has raised the concern among many—including members of the House Committee on Appropriations—that the FASB did not conduct an independent and thorough cost-benefit analysis prior to issuing ASU 2023-09.[14] We share this concern.

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[10] *Id.* at 3.

[11] *See* Fin. Acct. Standards Bd., *Statement of Financial Accounting Concepts No. 8, Conceptual Framework for Financial Reporting: Chapter 8, Notes to Financial Statements* para. D22, at 6 (as amended, Dec. 2021).

[12] Phylleos & Nat'l Foreign Trade Council, *Economic Analysis and Simulation Modeling of Changes to the FASB's Improvements to Income Tax Disclosures* 4 (Sept. 2023), https://www.nftc.org/wp-content/uploads/2023/09/Phyllleos-Inc-NFTC-FASB-report-Final.pdf.

[13] *Id.*

[14] *See, e.g.*, H. Comm. on Appropriations, 119th Cong., Rep. on Fin. Servs. and Gen. Gov't Appropriations Bill, 2026, at 75 (Comm. Print 2025).

In view of the material concerns described above, the Chamber respectfully urges the Commission to recommend that the FASB withdraw ASU 2023-09 or suspend its application before companies are required to file their first annual reports thereunder early next year. As always, the Chamber stands ready to assist the FASB in developing more effective disclosures that convey material, decision-useful information for investors while mitigating disclosure ineffectiveness and reducing unnecessary reporting burdens on issuers. Thank you for your continued leadership on the issue of disclosure reform and for your attention to this important, time-sensitive matter.

Sincerely,

Mike Flood
Senior Vice President,
Center for Capital Markets Competitiveness
U.S. Chamber of Commerce

Watson M. McLeish
Senior Vice President,
Tax Policy
U.S. Chamber of Commerce

cc: Kurt Hohl, Chief Accountant, U.S. Securities and Exchange Commission
Erik J. Hotmire, Chief External Affairs Officer, U.S. Securities and Exchange Commission