

Respondent Number	Applicable to TR, Omnibus, or Both	TR Paragraph Number	Omnibus Paragraph Number	Comment from Respondent(s)	Staff Analysis
6	TR	4		In addition, we would suggest asking for clarification on paragraph 5 of the Implementation Guidance for Leases. Paragraph 5 states that an "interrupted term of use" can still result in a lease because, uninterrupted control is not required to meet the definition of a lease. An example is provided in paragraph 5 where the lessee has the right to use the facility for 4 months per year. If, for example, the term is three years, how should the term of the lease be calculated for purposes of applying the "short term" lease definition? Should the term be considered 36 months and therefore not a short term lease, or should it be considered 12 months (4 months X 3) and therefore be classified as a short term lease.	Staff agrees and will modify the TR accordingly.
9, 19	TR	5		The remaining explanation is specific to easements. Could the question and response be broadened to capture rights-of-ways and other land interests? In paragraph 8, the questions relate specifically to a right-of-way agreement and a livestock grazing agreement and states these meet the definition of a lease. DOI does not disagree with the responses but would not want readers to interpret paragraph 8 as all-encompassing and that all rights-of-way agreements and grazing agreements meet the lease definition. By broadening the question in paragraph 6, DOI believes this may alleviate any ambiguity as the response states, "...and other interests in land can qualify as a lease...", which leads the reader to presume not all agreements will qualify as a lease. We believe a permanent easement is, in effect, ownership of a portion of the land that lacks one of the essential characteristics of a lease in paragraph 2 of SFFAS 54 – i.e. it conveys the right to use PP&E for a period of time. As a result, we suggest the board replace "may not" in the third paragraph of the answer with "would not".	Staff agrees and will modify the TR accordingly.
2, 12	TR	8		The analysis presented in paragraph 9 creates confusion as it does not consider that the right of first refusal that the reporting entity has constitutes a right to control access to economic benefits. There scenario states there is no payment (monetary consideration) for the land and the electricity is provided at market rate (no financial incentives or concessions) with a variable amount and no minimums. Would the agreement not then fail to meet the definition of a lease in that there is no liability to record (SFFAS 54, paragraphs 40(41)? Note: This assumes the standard only applies to monetary consideration (non-monetary consideration possibilities include improved energy resiliency by directly accessing electricity produced on site, bypassing grid risks). Furthermore, the definition of control is not clear enough. In this case, it is not clear that the reporting entity does not have the ability to control access to the economic benefits from the power generated. The scenario as written, seems to indicate that the reporting entity does have the ability to control the economic benefits produced from the solar farm, in that the reporting entity has the right of first refusal to all electricity generated. In other words, the private party must sell all electricity demanded by the reporting entity to the reporting entity, the private company can only control any excess electricity not sold to the reporting entity and does not know how much excess electricity will be generated until the reporting entity uses it. That seems to imply control. The lessee has control of the land, in that that only they can build the solar farm and other entities may not use the land in such a way as to interfere with the solar farm (e.g., the lessor can't build a building or structure where the solar farm is). Regardless, it seems this is irrelevant given paragraph 4 a.i. above.	Staff agrees that this could cause confusion and will modify the question to reduce the appearance of control of the reporting entity in the example.
13	TR	10		Paragraph 11 - GSA Comment: Since the answer to this question is not taken from language in SFFAS 54, we recommend that Omnibus changes to SFFAS 54 or other FASAB pronouncement specifically state when a contractual right of substitution by a lessor does and does not affect the evaluation of a lessee's control of the right to use an underlying asset. Along with a discussion of rights of substitution, standards should also address defining the related terms such as, "an essentially identical asset" cited in this answer, as that could be considered from different perspectives, such as comparability of benefits/services, or financial value, or physical comparability and capacity. For instance if a fax machine were replaced by a multi-use fax/copier/scanner but the lessee only needed the equipment for faxing purposes, is the replacement essentially identical? Alternatively if a lessor of office space in a building needs to find replacement space for a lessee due to flooding, etc., would "essentially identical" space include an equal amount and quality of office space in a building nearby?	Staff agrees and will modify the TR accordingly. Staff does not believe an omnibus is necessary though.
2, 19	TR	12-deleted		While DHS does not have any lease agreement for oil and gas exploration, development or production, we have the following two questions for further clarification: (1) Should the reference to "lease liability" in this paragraph be changed to "lease receivable", since this guidance applies to a reporting entity that is the lessor? and (2) Should the guidance/reference to the lessee be omitted? Paragraph 13 guidance relates to accounting by the lessor. Recommend the following change in wording: The lease liability would include all variable payments that are fixed in-substance in accordance with paragraphs 40.c. of SFFAS 54. However, in accordance with paragraph 41 of SFFAS 54, variable payments that are based on future performance of the lessee or usage of the underlying asset (that is, variable payments based on levels of exploration, development, and production) should not be included in the lease liability.	Staff agrees with this & will make the requested changes if the Q&A is retained.
9	TR	12-deleted		DOI has many complex oil and gas leases, both on-shore and off-shore (the Outer Continental Shelf). Each of these leases, or lease categories, will need to be reviewed to determine if they meet the lease definition. To give some perspective, in fiscal year 2019, DOI had over 24,000 active leases that were reporting rents and/or royalties. Most, if not all, of DOI's leases state that on or after the discovery of oil or gas in paying quantities, the lease payments cease and royalty payments begin. Thus, there is no definitive lease term as it's dependent upon the discovery of the natural resource. As such, most of these leases may not meet the definition of a lease per SFFAS 54. Additionally, if DOI were to record only the lease portion as an asset on its balance sheet, DOI believes this would misrepresent its true future collections and potentially mislead readers since once royalties begin being collected, they often are significantly greater than the rent amounts. DOI believes it best to remove paragraph 13 and allow agencies to determine if oil and gas leases meet the criteria of SFFAS 54 rather than create potential confusion within agencies and possibly with agency audit firms.	Staff agrees and will propose deleting this Q&A of the TR.
2, 11, 18, 19	TR	12		SFFAS 4, paragraph 15 defines cost as "the monetary value of resources used or sacrificed or liabilities incurred to achieve an objective, such as to acquire or produce a good or to perform an activity or service." Arguably given the definition of cost, the arrangement as described, if between a Federal and non-federal entity is at full cost. While the proposed guidance is useful for related scenarios, further clarification is needed around non-cash transactions (e.g., rental of space from a landlord in return for services to be provided by lessee to lessor). Please clarify whether such non-cash transactions with other agencies would still be in the scope of SFFAS 54 and require an imputed rent amount to be determined within the scope of SFFAS 4. Please provide similar clarification as to requirements pertaining to non-cash lease agreements with commercial entities (not inter-entity). Lastly, we would like to encourage the Staff to consider consistency between par. 4 of proposed TR (imputing rental value to inter-entity leases using cost to lessor) versus par 33 of the proposed TR (imputing rent to free rent periods based on market rent charged on similar space/asset otherwise). Please elaborate on whether the definition of "consideration" is strictly cash or includes in-kind exchanges (e.g., a company provides services to an Agency in return for space leased from the Agency). We would like to see additional guidance around non-cash transactions whereby lessee may provide the lessor in-kind services or assets in exchange for the rights to use leased asset. Please provide guidance on whether the Agencies are expected to use imputed rent amount for such non-monetary transactions The example in the question is a reporting entity that obtains the right to use a building, which has a market rent of \$500,000 per year, for a cost of \$100 per year. However, the answer addresses consideration that is "less than full cost" rather than market rent. Because the example neither indicates that the transaction is intra-governmental nor provides the full cost information related to the building, we suggest that either the question or the answer be revised to provide clearer linkage between the question and the answer. The word "specifies" implies a direct quote from the definition of a lease in paragraph 2..... recommend: Under this definition, even though the consideration provided may be less than full cost."	Staff agrees and will modify the TR accordingly. Staff will consider adding another Q&A to address in-kind services as consideration. Many issues brought up by commenters are beyond the scope of the specific question asked. -RAP
6	TR	14		Some DoD Components use real property assets that are under the jurisdiction of Military Departments for their mission, but makes no direct payments for that use. These are known as "Real Property Permits." The DoD Components are responsible for addressing premises repair and for complying with the Military Departments' regulations, guidance, and orders. Should these "Real Property Permits" be considered leases under the provisions of SFFAS 54? Please consider providing clarifying guidance on this in the Statement or TR.	Staff agrees and will add a Q&A in the TR to clarify.
2, 12	TR	15		We also would like clarification whether both terms "economic benefits" and "consideration" are only referring to monetary benefits and consideration. Please confirm, for the purposes of this standard, that "consideration" is use only in a monetary sense, and that agreements whereby one entity (lessor) conveys the right to control the use of PP&E (the underlying asset) to another entity (lessee) for a period of time as specified in the contract or agreement in exchange for non-monetary consideration are not considered leases for the purpose of the standard and that non-monetary consideration leases need not be disclosed. (Consideration, in a legal sense, applying to both monetary and non-monetary senses.)	Staff agrees and will add a Q&A in the TR to clarify.
19	TR	19		SFFAS 54 does not provide guidance when the underlying asset of a lease is either a heritage asset or stewardship land as defined by SFFAS 29, Heritage Assets and Stewardship Land. We suggest adding such guidance to SFFAS 54.	Staff agrees and will propose a new Q&A in the TR to address this.

2, 3, 11, 12, 18	Both	24	19.a	<p>Paragraph 22 states that cancelable periods should be excluded from the lease term, regardless of the amount of the cancellation penalties. We are concerned that this could create significant differences in how similar agreements are accounted for, which would incentivize an agency to structure its contracts differently. We would suggest to either consider any cancellation penalty to preclude that a period be considered cancelable or to add materially guidance to the cancellation penalty.</p> <p>Regarding paragraph 22 which states the cancelable periods are excluded from the lease terms, the corollary of the response appears to be that this should be treated as a short-term lease, since it can be cancelled at any time by either party unilaterally. (Based on SFFAS 54, paragraphs 22, 23, and 24). This conclusion does not appear reasonable in light of the cancellation penalties, which are so great that there is evidence that neither party will terminate the lease. If the scenario described here is a real-life scenario, we suggest that FASAB specifically address the issue of how to handle a situation where the literal interpretation of the standard does not appear to produce a reasonable end-result. If the scenario described here is created to solely illustrate the concept of the lease term, we suggest revising the example to make it realistic. For example, add a noncancelable lease term.</p> <p>We would like to encourage the board to consider scenarios with significant penalties or other factors that might render highly likely that options to cancel will not be exercised. Consistent with the spirit of Par 17., assessment of lease term should incorporate factors relevant to how probable it such cancellation or termination option will be exercised</p> <p>The proposed language (referencing SFFAS 54 paragraph 19.a) states that periods for which both the lessee and the lessor have an option to terminate the lease without permission from the other party are excluded from the lease term as cancellable periods. (Emphasis original.) Please confirm that if the cancellation penalties are so great that they exceed the total payments under the full term of the lease (with all options), then the reporting entity would need to record the higher liability (non-cancellable period plus cancellation penalty) rather than the lower liability for the reporting entity (all periods without the cancellation penalty).</p> <p>DOT is of the view that penalties attached to cancellation options should be considered in determining the non-cancellable lease term. Impact of penalties in assessment of lease term should be consistent regardless of whether the options are held unilaterally or bilaterally by the lessee and/or lessor. In other words, it is not appropriate excluding periods covered by cancellation options from the lease term if significant penalties are attached to such options, implying it is not probable that such option will be exercised.</p>	Staff recognizes this concern and will revisit this issue with the Board.
19	TR	26		We found both the question and the answer to be confusing. We do not believe the answer can be "Yes to both questions" because the two questions appear to take contradictory positions. We suggest the question and the answer be revised to provide more clarity as to whether an entity can rely upon one predominant factor when making probability assessments	Staff agrees and will modify the TR accordingly.
19	TR	27		The answer refers to paragraphs 15-20 of SFFAS 54 for identifying factors to assess whether a renewal option is probable of being exercised. However, only paragraph 20 of SFFAS 54 provides examples of factors to consider for renewal options. We recommend that the answer indicate the factors listed are additional factors as they are not the identified factors in paragraph 20.	Staff agrees and will modify the TR accordingly.
19	TR	29		We suggest the first sentence of Question 27 be clarified to state that the option to renew the lease is the lessee's. We believe the reference to paragraphs 15 and 17 of SFFAS 54 in the answer should be to paragraph 15 because paragraph 17 refers to lessor accounting. We suggest changing the word "requirement" in the last sentence of the answer because the preceding sentence about communication is not a requirement in SFFAS 54. Perhaps it could be changed to "approach"	Staff agrees and will modify the TR accordingly.
6	TR	30		SFFAS 54, paragraphs 84 – 86 cover lease modifications, when to classify them as a new lease, and how to re-measure related amounts. Paragraph 21 also addresses when to reassess the lease term. There does not appear to be any guidance on what to do if the lease term changes from short-term to any of the other lease categories. Would such a change be treated prospectively like a change in an estimate? Please consider providing clarifying guidance on this in the Statement or TR.	Staff agrees and will add a Q&A in the TR to clarify.
11, 18	Both	36	23-24	<p>Deferral and subsequent amortization of concessions represents a significant level of work for the Agencies. In cases where concession might represent a free rent period, the Agencies will need to estimate the value of such concession (e.g., market rent or the cost to lessor), impute rent expense for the months of free rent all the while amortizing the concession over the lease term. Cost of tracking related information and processing related amortization through the lease term exceeds the limited benefits of such practice, particularly as it relates to short-term leases whereby it is not expected to see significant balance of concessions. We would like to encourage the board to reconsider such requirement and allow the Agencies an option to record short-term lease concessions when received.</p> <p>We do not believe deferral and amortization of the concession alone is adequate where the related lease asset/liabilities are completely off the balance sheet. These represent short term leases whereby neither capitalization of the lease asset/liability nor relate concession is worth the operational burden of performing such capitalization.</p>	Staff will propose this and will modify the Omnibus & TR accordingly.
7	TR	12 / 36		Given that our understanding of SMC 1 below is correct, it appears that a lease concession occurred where it would be appropriate to record an imputed financing source for material activity. With regard to lease concessions, it may be beneficial to provide additional information in the TR to expand on the treatment provided in paragraph 33 of SFFAS 54. While the current paragraph discusses that any concession should be applied on a straight-line basis to reduce expense (lessee) and revenue (lessor), it may be beneficial to provide more guidance on how to accomplish this. Specifically, making it clear that this will adjust the payments over time, rather than some type of straight-line accounting entry. As noted below (SMC 1), an example of the treatment of the straight-line treatment and the subsequent imputed financing source transaction may be beneficial in the TR.	Staff is still analyzing this recommendation.
13	TR	40		Another issue regarding paragraph 25 of SFFAS 54 became apparent in discussions with the team who assisted development of the AAPC implementation guide. While the wording of this paragraph specifically indicates application is limited to leases that will transfer ownership at the end of the lease, some team members had interpreted this more broadly to include leases that include an option to purchase, where the option was considered probable of occurring. Given that the wording was subject to misinterpretation, we suggest either an additional Q&A be added to the TR to clarify this point, or that the Omnibus Statement also include additional wording in SFFAS 54 paragraph 25 to clarify that only leases stating the asset will be transferred, excluding leases with the option of purchase, are to follow treatment in accordance with SFFAS 6.	Staff agrees and will propose a new Q&A in the TR to address this.
13	TR	deleted - intragovernmental section		TR paragraph 38 seems to add additional complexity and increased inconsistency to such determinations where it indicates, "Absent economic / pricing indicators or other significant evidence that there are lease concessions in the contract or agreement, it is appropriate that contracts or agreements similar to this example be treated as rent increases rather than lease concessions," as if economic/pricing indicators should govern when an increase or decrease is to be treated as a lease incentive/concession. This added consideration of economic variables would appear to create ambiguity and create further challenges to implement the standard on a consistent basis.	Staff agrees and will modify the TR accordingly.
3	TR	deleted - intragovernmental section		Regarding paragraph 39, the proposed accounting treatment would apply to the scenario where the reporting entity (lessor) reimburses (i.e. "payments made to") the lessee for the moving costs incurred. The scenario where the lessor pays moving costs "on behalf" of the lessee would require the lessee to record imputed costs for a non-cash transaction and would be more complicated. In the latter case there is a risk for non-cash transactions to go unrecognized in the reporting entity's general ledger, therefore consider expanding the guidance for the "on behalf" payment.	Staff agrees and will make the requested edit.
13	TR	Add one - in intragovernmental section - if omnibus is NOT approved	31-33, 71	Other matters we considered related to intragovernmental lease incentives and concessions, include impacts on matching of rent expense we incur as a result of non-Fed leases versus Intragovernmental revenues. GSA leases, as a lessee, with non-Federal entities normally are long-term and require asset and liability recognition, with the lease expenses being generated by the amortization of the asset and interest expense over the lease term. Any such lease concessions will be included in the present value calculations and recognized as reduced/increased lease payments in the period provided. Application of rent revenue recognition in accordance with SFFAS 54 paragraph 31 would most impact the initial periods of a lease when decreased rents are passed along to Federal customers. This would result in marginally higher expense than revenue in early periods of a lease, with these conditions reversed for the later, majority of the lease term. Conversely, if the intragovernmental reductions were amortized in accordance with SFFAS 54 paragraphs 32 and 33 as rent incentives/commissions, there would be increased complexity and burden in the intragovernmental record-keeping to ensure the Federal entities maintain matching unamortized assets/liabilities and matching expense/revenue amortization from period to period to ensure such balances are properly eliminated in the government-wide financial statements prepared by the Department of Treasury. Significant intragovernmental differences exist today, under current accounting treatments that have proven very difficult to address when amortization of non-level rents is required.	Staff agrees and will propose a new Q&A in the TR to address this.
19	TR	50		Recommend the following edits: "Paragraph 40.h of SFFAS 54 requires that the lease liability include any other payments to the lessor that are probable of being required based on an assessment of all relevant factors. However, SFFAS 54 does not require the inclusion of payments that are probable of being required from the lessee to parties other than the lessor in the lease liability. Such liabilities would be reported separately in accordance with other existing Statements, such as: SFFAS 5, Accounting for Liabilities of the Federal Government, standards on liability recognition and measurement and SFFAS 6, Accounting for Property, Plant, and Equipment, on cleanup costs. If, however, these payments are deemed probable of being required and would be made to the lessor, inclusion of these payments would be appropriate.	Staff agrees and will modify the TR accordingly.

13	TR	55		<p>"payments related to a building lease" is broad. However, if the payments were for the cost of leasehold improvements (such as tenant buildout), we would not agree with the part of the answer that indicates that the cost would be reclassified as part of the initial measurement of the asset upon lease commencement. We had interpreted SFFAS 54 to require segregation in reporting the cost of leasehold improvements from the initial lease asset measurement. It is also unclear whether payments made prior to lease commencement that are for leasehold improvements should be accounted for as advances, vs construction work-in-process (CWIP) accounts that exist today based on requirements of SFFAS 6. While the proposed Omnibus changes to SFFAS 6 may remove leasehold improvements from reporting of PP&E, it is not clear whether payments prior to lease commencement would no longer be treated as capitalized assets (such as CWIP) and now be treated as advances as this answer implies</p>	Staff agrees and will modify the TR accordingly.
13	TR	58		<p>Paragraph 57 - GSA Comment: In accordance with SFFAS 54, paragraph 50 would require all lease assets of equipment to be amortized. Accordingly, we suggest re-wording the facts in this question to remove the text "because it is not probable that it will purchase the equipment." The amortization of leased equipment is not exempted by the existence of a probable purchase option. Inclusion of this wording in the question implies that purchase options have some bearing on amortization. Only leases of land, discussed in para. 51, have unique amortization if a purchase option is considered probable of being exercised, which is not applicable to this question.</p>	Staff agrees and will modify the TR accordingly.
19	TR	64		<p>The answer states that "40.d and 44.b of SFFAS 54 provide that amounts that are probable of being required to be paid by the lessee under residual value guarantees be included in the measurement of the lease liability." We suggest removing the reference to 44.b because 44.b indicates when the lessee should remeasure the lease liability and not what should be included in the lease liability.</p>	Staff agrees and will modify the TR accordingly.
19	TR	65		<p>The question asks, "What are initial direct lease costs?" However, the answer does not match the definition of initial direct lease costs in paragraph 13 of SFFAS 54. We suggest the answer use the definition of initial direct lease costs as provided in SFFAS 54 and indicate that the other information in the answer describes costs that could be initial direct lease costs.</p>	Staff agrees and will modify the TR accordingly.
3	TR	77		<p>Regarding paragraph 76, in order to avoid misinterpretation, please provide examples of when installation costs are to be considered ancillary charges necessary to place the lease asset into service and when they are not. For example, if the leased asset cannot be operated without being installed, installation costs should be treated as an ancillary charge and included in the initial measurement of the lease asset. If installation of the leased asset is optional, then installation costs must be treated as a separate liability. Also, would there be a distinction in accounting treatment if the installation of the leased equipment is performed by a third party working for the lessor?</p>	Staff partially agrees and will make an alternative edit to address this concern.
3	TR	78		<p>Regarding paragraph 77, we consider the effort required to seek and document reliable statistical information on cost per square foot for utility and janitorial costs from local real estate professionals likely to be impracticable. Therefore, we suggest removing the sentence beginning "Additionally, local real estate..."</p>	Staff agrees and will make the requested edit.
13	TR	deleted - lease terminations and modifications section		<p>Paragraph 86 - GSA Comment: We believe the answer to this question may be overly simplistic and could be impacted by final wording used in the proposed change defined in the Omnibus section, paragraph 5 (amending SFFAS 54 para. 21). It is not clear why the requirements of SFFAS 54 paragraphs 80, 81 and 84 would not apply to modifications of short-term and intragovernmental leases. Both short-term and intragovernmental leases could have lease modifications that shorten or lengthen the term, that we believe should impact the amortization period applied to terms such as leasehold improvements, or remaining balances of unamortized lease concessions. Further, if lease measurement itself is not to be reassessed for leases that are initially short-term leases but then modified to have lease terms greater than 24 months (or vice versa), we believe clarity should be provided in the standard via an Omnibus update to make clear what impact a change in the lease term caused by a modification should have (other than discussed in SFFAS 54 paragraph 21). Also reference our comments in OFR #3, regarding these paragraphs 80-86.</p>	Staff agrees and would like to delete this Q&A from the TR.
13	TR	94		<p>Paragraph 94 - GSA Comment: While we agree with the response that the example is not a sale leaseback, it is unclear how a rent concession that would be recorded as part of the consideration from the sale would not impact the initial recording of a lease, as stated in the third sentence of the answer. Since a rent concession normally does impact initial measurement, an entity would need to exclude concessions from its lease calculations that are otherwise required by SFFAS 54 (i.e. paragraphs 41 and 49 for lessees). Presuming the lease is longer than 24 months and non-intragovernmental, if the concession was in the form of periods with discounted or free rent, a seller/lessee entity would seemingly need to gross-up the amounts used for calculating its lease asset and liability to add back concession credits, as if payments were being made at an unadjusted (for concessions) amount. Presumably the selling entity would also create a sales receivable/revenue for the amount of the concession, and then in the months the concession credits are received, record offsetting collections and payments to liquidate the sales receivable and grossed-up lease liability. Such examples would benefit greatly from illustrative guidance of the underlying debits and credits the entities would record.</p>	Staff agrees and will modify the TR accordingly.
2, 7, 13, 16, 19	TR	95		<p>Sale-leaseback transactions involve the sale of an underlying asset by the owner and a lease of the property back to the seller (original owner). A sale-leaseback should include a transaction that qualifies as a sale to be eligible for sale-leaseback accounting. A sale-leaseback transaction that does not include a transaction that qualifies as a sale should be accounted for as a borrowing by both the seller-lessee and the buyer-lessor. Intragovernmental sale-leaseback transactions do not qualify as a sale and should be treated as a borrowing by both intragovernmental parties. Further, additional guidance would be needed for the lending and borrowing of an intragovernmental sale-leaseback transaction.</p> <p>Additionally, we believe consideration should also be given to expanding footnote 11 (to paragraph 89) in referencing SFFAS 7 paragraph 295, to include the subsection paragraph 295 is contained in, "Exchange Transactions with the Public: gains and losses". As intragovernmental leases are only between Federal entities, viewing the word "public" would provide added emphasis that the recording of sales-leaseback transactions as described in SFFAS 54, paragraph 89 is not applicable for intragovernmental transactions.</p> <p>Further guidance and direction is needed on this topic to indicate how such borrowings are to be measured. Do the SFFAS 54 lease disclosure requirements still apply or do such arrangements qualify for other disclosure related to borrowings (and if so please provide reference to such requirements).</p> <p>Treasury believes that paragraph 95 would not be applicable to an intragovernmental transaction similar to a sale-leaseback. However, the TR infers that the combined guidance of paragraphs 89 of SFFAS 54 and paragraph 295 of SFFAS 7, disqualifies an intragovernmental sale-leaseback transaction from being treated as a sale because it only applies to sales transactions with the public, yet, this is not explicitly stated within SFFAS 54.</p> <p>We suggest that the second paragraph of the answer be revised because paragraph 89 of SFFAS 54 does not provide the cited guidance for intragovernmental leases.</p>	Staff agrees that clarification in this area could be helpful.
13	Both	96-98	93	<p>Paragraph 96 - GSA Comment: We request additional discussion be added for this and the following question to provide clarity regarding SFFAS 54 paragraph 93 requirements to both treat lease-leasebacks as net transactions, yet also to disclose the lease and leasebacks separately. The separate disclosure would appear to create inconsistencies in total amounts disclosed as lessee/lessor activity when compared to the asset/liability balances carried for such leases. Since the disclosure requires separate reporting, it seems contradictory that the accounting treatment requires recording of the net transactions. Clarity is requested to indicate whether an entity would be expected to maintain its records as if the leases were independent and then record financial statement adjustments to offset/net the assets, liabilities, revenues and expenses that the components produce.</p> <p>Paragraph 97 - GSA Comments: Please refer to the related comments to TR paragraph 96. The reporting entity would need to separately identify the transactions in the accounting system in order to disclose, however the recording of the transaction requires netting. This will likely be very difficult and burdensome to record net transactions.</p> <p>Paragraph 98 - GSA Comments: GSA expects the accounting treatment for non-fed lease-leaseback transactions in accordance with SFFAS 54 to be quite complex. This topic would greatly benefit from an illustration of debits and credits that would be applied by entities to ensure proper understanding.</p>	Staff agrees and may propose an Omnibus amendment.
11, 18	TR	100, 101		<p>Par 100 strictly requires use of post-implementation lease payments in establishing implementation date lease balances. Further clarification is needed around treatment of legacy lease balances that have post-implementation economic benefits (e.g., pre-implementation security deposits or prepayments to be applied against post-implementation rent, pre-implementation initial direct costs with post implementation economic benefits, etc.). Unless amended, Par. 100 would imply that the Agencies should identify such deferred balances, bifurcate from legacy lease receivables/payables that will be reset upon SFFAS 54 implementation. Those deferred balances would then have to be accounted for separately from the SFFAS 54 balances to avoid an SFFAS 54 transition restatement. This will, in fact, create a much bigger burden on the agencies. We would highly recommend the board to consider a more flexible approach allowing agencies to adjust legacy lease balances as needed (i.e., through a matching adjustment to net beginning position) for ease of a fresh start compliant with the requirements of SFFAS 54.</p> <p>Par. 100 and Par. 101 require that the transition date ROU asset and lease liability be equal. Such requirement conflicts directly with guidance from SFFAS 54 par. 49 (b) and 49 (c) for Lessee accounting. Even if the lease liability assessment is strictly based on post-implementation lease payments, the existence of certain future lease payments types could warrant the right-of-use asset to differ from the lease liability (for examples of such types of lease payments, refer to SFFAS 54 par. 49 (b) and 49 (c) for Lessee and 64 (b) for Lessor).</p> <p>We disagree with the requirement that SFFAS 54 transition should not result in adjustments to net beginning position. We believe the transition guidelines are not clear on how Agencies should treat certain legacy balances upon transition (e.g., initial direct costs incurred on capital leases prior to transition, deposits or prepayments, etc.). We believe the Agencies will need leeway in terms of recording adjustments to net beginning balances, if necessary, to bring those deferred balances to where they should be based on SFFAS 54 guidance.</p>	Staff agrees and will modify the TR accordingly.
13	TR	deleted - implementation section		<p>Paragraph 101 - GSA Comment: The answer is not complete, as the difference between the capital asset and capital lease liability at the implementation date of SFFAS54 would also require recording of \$9,600 difference between the old and new carrying value as an adjustment to Cumulative Results of Operations for the change in accounting principle.</p>	Modifications to paragraph 100 take care of this issue. Staff believes that 101 is unnecessarily convoluted and misleading, so we are striking it.
7	Omnibus		7, 22	<p>For clarity purposes, we believe it would be beneficial to amend paragraphs 7 and 22 of SFFAS 54, Leases, to add as part of the definition that short-term leases are non-intragovernmental leases. While the short-term and intragovernmental leases are shown as separate categories, it would be advantageous to provide the distinction in the short-term definition. For example, "A short-term lease is a non-intragovernmental lease with a lease term (as defined in par. 14-21) of 24 months or less."</p>	Staff agrees and will modify the Omnibus accordingly.

13	Omnibus		10, 70	GSA does not consider broker commission credits a lease concession as an enticement to sign the lease, but rather Brokers are used in GSA's lease business as a normal part of the process to assist with awarding leases timely.	Staff agrees and will propose an Omnibus amendment.
9, 13	Omnibus		25 FN5, SFFAS 6 par 26A, SFFAS 5 par 42A, 42B, 42C	suggest reviewing footnote 5 that references Paragraph 26 of SFFAS 6. Is this is referencing the correct paragraph. We are concerned that the normal application of SFFAS 6 is for assets where a purchase price is known. Further, SFFAS 6 is silent regarding measurement of such asset values. Given that SFFAS 6 is silent in these respects, we request further guidance be included with the proposed Omnibus Statement to provide the basis for measuring assets when an outright purchase price for this type of leased asset is not known, or provide the appropriate references to accounting standards or guidance where this issue is addressed.	Staff agrees. Proposing an additional omnibus candidate.
3, 13	Omnibus		64-65, 55, 83, 86, 90	In addition, we are concerned the term "deferred revenue" does not meet the federal definition of that term and ask the Board to consider another liability account, perhaps an account payable, as more appropriate. This paragraph uses the term "deferred revenues" for the recognition of lease incentives received from a lessor. Since these amounts are not related to revenue recognition and will ultimately be amortized as expenses, we suggest changing the term to either "deferred expenses" or "deferred liabilities" to ensure such amounts are distinguishable in accounting records from deferred revenue amounts.	Staff agrees. Proposing an additional omnibus candidate.
13	Both		59	we request additional clarity be added to the Omnibus on how measurement is impacted for leases with zero interest charged. Paragraph 18 - GSA Comments: As the lessor GSA's lease contracts with non-federal entities do not include an interest rate, but rather the terms are a negotiated amount per month, typically commercial market equivalent rents. This change in the omnibus is not clear that imputing an interest rate is required in instances of contracts that clearly have zero interest charged. Please see the related discussion provided in response to QFR 3 that may result in further changes to this SFFAS 54 paragraph 59.	Staff is still analyzing this to determine if an amendment can be proposed. Staff does intend to propose interest rate omnibus amendments to reduce burden, but analysis is still in process.
9	Omnibus		SFFAS 6, par 18	The updated SFFAS 6 does not mention leases that transfer ownership should be considered PP&E (Paragraph 18 of SFFAS 6). The newly added paragraph 19 of SFFAS 6 states, "Property, plant, and equipment also excludes lease assets and land rights that meet the definition of a lease under SFFAS 54, Leases." This could create confusion as to how agreements that transfer ownership are to be treated. Could SFFAS 6 be updated to avoid any confusion?	Staff agrees and will modify the Omnibus accordingly.
10	Omnibus		SFFAS 6, par 18	The Department respectfully requests that the edit contained in paragraph 25 of the Omnibus Amendments to Leases-Related Topics Exposure Draft of removing leasehold improvements as a component of PP&E be deleted. The Department believes that leasehold improvements should continue to be reported as PP&E because leasehold improvements are normally purchased and utilized by the reporting entity until such time that the facility is no longer occupied. Furthermore, the removal of leasehold improvements from PP&E does not also address to agencies where leasehold improvements would be reported on the Balance Sheet.	Staff agrees and will modify the Omnibus accordingly.
9	Omnibus		SFFAS 6, par 18, 19A	The draft Land D&S paragraph 6.e provides disclosure requirements. Land rights information should include a general description of the different types of rights acquired by the entity, whether such rights are permanent or temporary, and amounts paid during the year to maintain such rights. Land rights and easements are mentioned multiple times throughout the PP&E SFFAS 6, the land draft SFFAS, and Lease SFFAS 54. It seems the 3 different SFFASs do not complement each other. It is unclear how to account for land rights and which disclosure requirements would apply.	Staff is proposing an edit to the Omnibus to SFFAS 6, par 18 and 19A.
10	BFC			The Department would like to see if FASAB can address the substantially differing treatment of leases between SFFAS 54 and OMB Circular A-11, Appendix B, Budgetary Treatment of Lease-Purchases and Leases of Capital Assets. We understand that several agencies, including the Department, are very concerned that the differing treatments will result in a significantly higher effort and burden to account for leases under both methods of accounting.	Staff will include a discussion about this in the Basis for Conclusions.