Exposure Draft Questions for Respondents (QFR) and Specific Matters for Comment (SMC)

Comments due: July 30, 2026

Embedded Leases Practical Expedient

Please select the type(s) of organization responding to this exposure draft. If you are not responding on behalf of an organization, please select “individual.”

Accounting Firm	☐		
Federal Entity (user)	☐		
Federal Entity (preparer)	☒		
Federal Entity (auditor)	☐		
Federal Entity (other)	☐	If other, please specify:	
Association/Industry Organization	☐		
Nonprofit organization/Foundation	☐		
Other	☐	If other, please specify:	
Individual	☐		

Please provide your name.

Name: Anthony Timpanaro

Please identify your organization, if applicable.

Organization: Federal Trade Commission

Please email your responses to leases@fasab.gov. We will confirm receipt of your comments. If you do not receive confirmation or if you are unable to email your responses, please contact our office at (202) 512-7350.

QFR 1 Do you agree or disagree with the proposed practical expedient reflected in paragraph 3? The practical expedient would be inserted as a new sub-topic, paragraphs 77A-77F, under the “Contracts or Agreements with Multiple Components” topic of SFFAS 54, *Leases*. Please provide reasons for your views, including any suggested revisions.

I agree. This reduces the burden of keeping track of these specific types of combined agreements while still maintaining the purpose of distinguishing material leases. An agreement where the primary purpose is the non-lease component, would arguably make the lease component immaterial. Thus, it is better to combine with the main purpose than do the extra work to separate.

QFR 2 Do you agree or disagree with the proposed conforming amendments to paragraphs 73, 74, 76, and 79 of SFFAS 54, as reflected in paragraphs 4-6? These amendments are not intended to affect how the extant standards would be applied to contracts or agreements that are ineligible for the practical expedient. Please provide reasons for your views, including any suggested revisions or alternative/additional conforming amendments.

I agree. If this is to be added, the other referential paragraphs need to be updated to include the effect it will have.

QFR 3 Do you agree or disagree with the proposed rescission of paragraphs 96A-96E of SFFAS 54 and SFFAS 62 and the proposed effective date, as reflected in paragraphs 7-8? SFFAS 62 provided a transitional accommodation for embedded leases through September 30, 2026. The proposed practical expedient would extend this relief, becoming effective for reporting periods beginning after September 30, 2026. Please provide reasons for your views.

I agree. The desired effect is to make those paragraphs permanent, thus there is no need to keep them in place after their time has expired.

SMC 1 Proposed paragraph 77C is intended to provide guidance when a contract or agreement modification changes the primary purpose of the contract or agreement from nonlease component to lease component. The Board expects such modifications would be rare. Please provide feedback on this proposal, including any known examples of or observations on the frequency (or infrequency) of such modifications in practice.

I would also expect this situation to be rare. Arguably a modification that would change the primary purpose of a contract could be seen as a new contract, thus treating it as a separate lease prospectively makes the most sense. I have not observed this situation in my own work, but I could see a situation where a moving company is hired with the primary purpose of moving but also leasing a portion of storage space. If after the move, a mod was created that was primarily for the leasing of storage space, paragraph 77C would go into effect.