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: Accounting Operations & Financial Statements

Please identify your organization, if applicable.

Organization: Social Security Administration

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.

SSA agrees. The practical expedient allows for the activity to be treated in an appropriate manner based on the overall primary purpose of the contract/agreement.

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.

SSA agrees. This allows for the activity to be treated in the appropriate manner based on the overall primary purpose of the contract/agreement. If there is a clear breakout of two functions, then paragraphs 73 and 74 still stand. The practical expedient eliminates issues where the predominant portion of the contract is non-lease based but previously may have had to have been treated as an embedded lease.

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.

Since this rescission would only apply after 9/30/26, when this new transitional accommodation takes place, SSA has no objections to the recission. The practical expedient allows for the activity to be treated in an appropriate manner based on the overall primary purpose of the contract/agreement and eliminates issues where the predominant portion of the contract is non-lease based but previously may have had to have been treated as an embedded lease.

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.

SSA agrees this would be rare. We have not encountered such situations while researching and implementing SFFAS 54 and related Standards, Technical Releases, etc.
