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July 13, 2026

By email: leases@fasab.gov

Ms. Monica Valentine
Executive Director
Federal Accounting Standards Advisory Board
441 G Street, NW
Washington, DC 20548

RE: Exposure Draft – Statement of Federal Financial Accounting Standards, *Embedded Leases Practical Expedient*

Dear Ms. Valentine:

We appreciate the opportunity to provide comments on the Federal Accounting Standards Advisory Board's (the Board) Exposure Draft, *Embedded Leases Practical Expedient* (the ED), which proposes to amend Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*, and rescind SFFAS 62, *Transitional Amendment to SFFAS 54*.

We support the Board's objective to reduce the ongoing costs and challenges associated with accounting for embedded leases. Making the transitional relief provided in SFFAS 62 permanent through a practical expedient will provide significant relief to preparers without diminishing the quality of federal lease reporting. We commend the Board for its responsiveness to stakeholder feedback on this matter.

We provide the following comments and recommendation for the Board's consideration.

Questions for Respondents

We support the proposed practical expedient to make permanent the current guidance on embedded leases that is provided through the transitional accommodations in SFFAS 62. We believe the proposed ED will not result in a change in practice as it does not create additional reporting requirements beyond what preparers are already following under existing standards.

We agree with the proposed conforming amendments to SFFAS 54. The amendments are clear and understandable, and we believe they are appropriate.

We agree with the proposed rescission of the transitional accommodations in SFFAS 62, as they would no longer be necessary with the proposed practical expedient. However, we recommend a technical adjustment to the proposed effective date. As currently drafted ("effective for reporting periods beginning after September 30, 2026"), reporting entities with a calendar year-end (December 31) will experience a three-month gap in guidance. Specifically, for their FY 2026 reporting period (ending December 31, 2026), the SFFAS 62 accommodations will have expired on September 30, 2026, but the new expedient will not yet be effective (as their period began prior to September 30). To ensure seamless continuity and prevent this guidance gap, we recommend revising the effective date language to "Effective for reporting periods ending after September 30, 2026."

Specific Matter for Comment

Regarding the Board's request for feedback on the frequency of modifications that change a contract’s primary purpose under proposed paragraph 77C, we believe that preparers are best positioned to comment on the matter.

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If you have any questions or need additional information about our comments, please contact Kerrey Olden at kolden@kpmg.com.

Sincerely,

KPMG LLP