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: Corvada Washington

Please identify your organization, if applicable.

Organization: Department of Justice

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.

Agree. The practical expedient provides a reasonable and cost-effective approach for contracts or agreements whose primary purpose is a non-lease component. It would reduce the administrative burden associated with identifying and analyzing embedded lease components when the lease component is not the primary purpose of the arrangement. The proposal should also promote more consistent application across federal entities without diminishing the usefulness of financial reporting.

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.

Agree. The amendments appropriately clarify how the practical expedient would interact with the existing lease guidance while preserving the current accounting requirements for contracts or agreements that do not qualify for the practical expedient. The Department of Justice does not recommend any additional conforming amendments.

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.

Agree. Replacing the temporary transitional accommodation with a permanent practical expedient would provide continued implementation relief while eliminating transitional guidance that would no longer be necessary. The proposed effective date would also provide continuity by making the practical expedient effective for reporting periods beginning after the current transitional accommodation expires.

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.

Agree. The modifications that change the primary purpose of a contract or agreement from a non-lease component to a lease component are expected to be infrequent. The Department of Justice is not aware of any examples in which such a modification has occurred. The proposed guidance in paragraph 77C appropriately addresses these circumstances should they arise.