

Deferral of the Effective Date of SFFAS 54, Leases

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Q1. Do you agree with the proposed two-year deferral of the effective date of SFFAS 54, *Leases: An Amendment of SFFAS 5, Accounting for Liabilities of the Federal Government, and SFFAS 6, Accounting for Property, Plant, and Equipment?* The new effective date would provide for full implementation of SFFAS 54 for reporting periods beginning after September 30, 2022. Please provide supporting details behind reasons for your position.

The EPA agrees with the proposed two-year deferral of the effective date of SFFAS 54, *Leases*.

A two-year deferral will give federal entities additional time to implement the new standard. The new lease standard represents a significant change in how federal entities will account for leases. Since the current lease standard in SFFAS 5 and SFFAS 6 has been effective since 1995, the deferral will give all federal entities additional time to redirect resources, modify existing systems, and update business processes that have been in effect for potentially the last 25 years. In particular, federal entities with large and/or complex lease portfolios will have the opportunity to address the challenges they have encountered during the implementation.

A two-year deferral will also give FASAB an opportunity to utilize taskforce data in the development of implementation guidance. The lease taskforce provided FASAB with insightful data about the sizes/complexities of federal lease portfolios and implementation challenges. The

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deferral will advance FASAB's objective to provide relevant implementation guidance and give federal entities time to fully benefit from the guidance.

Finally, a two-year deferral could facilitate coordination with other federal standard-setting bodies. Specifically, OMB requires that all leases be scored, per Appendix B of Circular A-11. Currently, the FASAB and OMB guidance is aligned. However, if the OMB does not revise the lease score criteria, then it will no longer align with FASAB standards. Thus, federal entities would be required to use two sets of criteria to evaluate and report leases. Ideally, a deferral will give all federal entities time to coordinate guidance for federal financial reporting.