

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

Due: February 5, 2021

Implementation Guidance for Leases & Omnibus Amendments to Leases-Related Topics

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."

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|-----------------------------------|-------------------------------------|--|
| Accounting Firm | <input type="checkbox"/> | |
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Please provide your name.

Name: Joanne R. Gasparini, Deputy Chief Financial Officer

Please identify your organization, if applicable.

Organization: Social Security Administration (SSA)

Please email your responses to fasab@fasab.gov. If you are unable to respond by email, please call (202) 512-7350 to make alternate arrangements.

QFR 1 Do you generally support the proposed Statement and TR proposals as a whole?
Please provide reasons for your views.

SSA Response: Yes. As a whole, we believe the Exposure Drafts (ED), *Omnibus Amendments to Leases-Related Topics*, and the Technical Release (TR), *Implementation Guidance for Leases*, provide additional clarity and comprehensive guidance for preparers in implementing, reporting, and disclosing the information required by the Statement of Federal Financial Accounting Standards (SFFAS) 54, *Leases*. In addition the TR, provides examples for some of the more complex lease situations that will aid preparers in properly implementing the Standard's requirements.

QFR 2 Are there specific aspects of the proposed Statement and/or TR that you disagree with? If so, please explain the reasons for your positions, the paragraph number(s), and/or topic area(s) of the proposals that are related to your positions, and any alternatives you propose and the authoritative basis for such alternatives.

SSA Response: No. Overall, we are in agreement with the proposed TR Implementation Guidance and Omnibus Standard regarding Leases.

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QFR 3 Are you aware of any implementation issues that are not addressed in the proposed Statement and/or TR? Do any ambiguous areas remain that could lead to challenges with implementing SFFAS 54 requirements? If so, please provide examples of the issues and any references to applicable guidance, and/or topic area(s) related to the issues, and any potential solutions you propose.

SSA Response: We have two proposed suggestions:

Suggestion 1: For clarity purposes, we believe it would be beneficial to amend paragraphs 7 and 22 of SFFAS 54, *Leases*, to add as part of the definition that short-term leases are non-intragovernmental leases. While the short-term and intragovernmental leases are shown as separate categories, it would be advantageous to provide the distinction in the short-term definition. For example, "A short-term lease is a non-intragovernmental lease with a lease term (as defined in par. 14-21) of 24 months or less."

Suggestion 2: Given that our understanding of SMC 1 below is correct, it appears that a lease concession occurred where it would be appropriate to record an imputed financing source for material activity. With regard to lease concessions, it may be beneficial to provide additional information in the TR to expand on the treatment provided in paragraph 33 of SFFAS 54.

While the current paragraph discusses that any concession should be applied on a straight-line basis to reduce expense (lessee) and revenue (lessor), it may be beneficial to provide more guidance on how to accomplish this. Specifically, making it clear that this will adjust the payments over time, rather than some type of straight-line accounting entry. As noted below (SMC 1), an example of the treatment of the straight-line treatment and the subsequent imputed financing source transaction may be beneficial in the TR.

QFR 4 Are there specific aspects of these proposals that you favor or otherwise wish to provide comments on?

SSA Response: We do not have any additional comments.

SMC 1 Is the proposed guidance under paragraph 4 of the proposed TR applicable to federal lease scenarios to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

SSA Response: We view Federal leases as being expensed for the agreed upon rates throughout the lease term. If a lessor determines the related costs they incur exceed the amounts charged the lessee and notifies/provides the lessee with the amounts, it may be appropriate for the lessee to record an imputed financing source.

As we noted above (QFR 3), additional clarification on the Lease Concession section of SFFAS 54 may be helpful, as it does not cover this type of scenario. The recording of an imputed finance source (and associated expense) makes sense (for material items), as long as our understanding of the lease concession portrayed in paragraph 4 of the proposed TR is accurate. We believe it would be beneficial to provide more guidance in the TR on how the imputed financing source would be both calculated and portrayed.

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SMC 2 Please provide feedback regarding the usefulness of the proposed guidance under paragraph 13 of the proposed TR and/or the extent to which you believe the proposed guidance addresses implementation issues related to federal oil and gas leases. Please describe any alternative views or suggestions for improvement.

SSA Response: We do not have any Federal oil and gas leases; thus, this is not applicable to our agency and we defer to those Federal entities involved in these types of transactions.

SMC 3 Is the proposed guidance under paragraph 95 of the proposed TR potentially applicable to intragovernmental transactions that are similar to a sale-leaseback to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

SSA Response: We are not involved in any sale-leaseback transactions. As it is not applicable to our agency, we defer to those Federal entities involved in these types of transactions.

We did note that the second part of paragraph 95 of the TR states, "For intragovernmental leases, paragraph 89 of SFFAS 54 provides that a similar intragovernmental transaction would not qualify as a sale under SFFAS 7, paragraph 295. Paragraph 295 of SFFAS 7 only applies to sales transactions with the public."

SFFAS 54, *Leases*, paragraph 89 does not include any reference to intragovernmental transactions, which could cause confusion. We believe SFFAS 54, paragraph 89 should be further expanded upon to include a reference to intragovernmental leases and sale-leaseback situations.

Additionally, we believe consideration should also be given to expanding footnote 11 (to paragraph 89) in referencing SFFAS 7 paragraph 295, to include the subsection paragraph 295 is contained in, "Exchange Transactions with the Public: gains and losses". As intragovernmental leases are only between Federal entities, viewing the word "public" would provide added emphasis that the recording of sales-leaseback transactions as described in SFFAS 54, paragraph 89 is not applicable for intragovernmental transactions.

SMC 4 Is the proposed guidance under paragraph 98 of the proposed TR applicable to existing and/or potential intragovernmental lease-leaseback transactions to your knowledge? Please provide feedback regarding the usefulness of the proposed guidance in the context of those scenarios and/or the extent to which you believe the proposed guidance addresses implementation issues under potential scenarios. Please describe any alternative views or suggestions for improvement.

SSA Response: We are not involved in any intragovernmental lease-leaseback transactions. As it is not applicable to our agency, we defer to those Federal entities involved in these types of transactions.