

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."

Accounting Firm	<input type="checkbox"/>	
Federal Entity (user)	<input type="checkbox"/>	
Federal Entity (preparer)	<input checked="" type="checkbox"/>	
Federal Entity (auditor)	<input type="checkbox"/>	
Federal Entity (other)	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Association/Industry Organization	<input type="checkbox"/>	
Nonprofit organization/Foundation	<input type="checkbox"/>	
Other	<input type="checkbox"/>	If other, please specify: <input type="text"/>
Individual	<input type="checkbox"/>	

Please provide your name.

Name:

Please identify your organization, if applicable.

Organization:

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.

The Department of Transportation supports the proposed Statement (SFFAS 54) and the Technical Release (TR). We believe reporting the assets and liabilities associated with long term contracts signed to control underlying property and equipment more accurately communicate the rights, benefits and obligations of engaging in non-Federal lease transactions. We expect that SFFAS 54 will help Federal agencies manage such contracts, increase accountability over management and use underlying assets, as well as equip them with advanced decision-making capabilities (lease vs. buy) in light of interest expense incurred on these contracts. Other benefits will include improved management of related lease data, opportunities for automation of lease accounting/reporting functions.

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.

There are various aspects of the proposed statement we disagree with or would like to see enhanced:

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Proposed Guidance	Comment
OMB A11 discrepancies	SFFAS 54 lease term determination and lease classification are pervasively different than the OMB A11 Appendix A and B lease scoring models. Please elaborate how Agencies should present the discrepancy between budgetary funding vs. proprietary liabilities (lessee)/ receivables(lessor) associated with these leases in their financial statements (or disclose/narrate in notes thereto).
SFFAS 54.96 Implementation Model	We disagree with requirement to reassess all pre-existing contracts at transition date. To ease the burden of transition and help encourage timely compliance, we believe consideration should be given to introduction of certain practical expedients into the SFFAS 54 Implementation requirements. Similar to expedients provided by the FASAB in implementing ASC 842, we would like FASAB to consider eliminating requirements to reassess lease identification and/or classification as it relates to expired or pre-existing contracts, or bifurcate lease and non-lease components on such contracts.
Implementation Guide Par 4 Definition of consideration	Please elaborate on whether the definition of “consideration” is strictly cash or includes in-kind exchanges (e.g., a company provides services to an Agency in return for space leased from the Agency).
SFFAS 54.19 (a) definition of non-cancellable lease	DOT is of the view that penalties attached to cancellation options should be considered in determining the non-cancellable lease term. Impact of penalties in assessment of lease term should be consistent regardless of whether the options are held unilaterally or bilaterally by the lessee and/or lessor. In other words, it is not appropriate excluding periods covered by cancellation options from the lease term if significant penalties are attached to such options, implying it is <u>not</u> probable that such option will be exercised.
Implementation Guide Par. 32 Lease Term reassessment	Guide requires reassessment of lease term be performed as if the extension option was exercised at the beginning of lease term. This will result in cases whereby remaining lease term (at the time of reassessment) may be well below the 24-month threshold, however, still has to be recorded on balance sheet based on proposed guidance. Please consider requiring reassessment based on the <i>remaining lease term at the time of reassessment</i> (vs. <i>entire lease term starting from commencement of the original lease</i>).
Implementation Guide Par. 33 Concessions on short term leases	We do not believe deferral and amortization of the concession alone is adequate where the related lease asset/liabilities are completely off the balance sheet. These represent short term leases whereby neither capitalization of the lease asset/liability nor relate concession is worth the operational burden of performing such capitalization.
Implementation Guide Par. 51 Lease Liability	Please consider replacing “elects to exercise” with “does exercise” to ensure clarity of guidelines.
Implementation Guide Par. 100-102 Implementation	We disagree with the requirement that SFFAS 54 transition should not result in adjustments to net beginning position. We believe the transition guidelines are not clear on how Agencies should treat certain legacy balances upon transition (e.g., initial direct costs incurred on capital leases prior to transition, deposits or prepayments, etc.). We believe the Agencies will need leeway in terms of recording adjustments to net beginning balances, if necessary, to bring those deferred balances to where they should be based on SFFAS 54 guidance.

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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.

Proposed Guidance	Comment
Significant Evidence Threshold SFFAS 54.15	Please consider providing quantitative direction on application of this threshold (similar to “probable” threshold that is defined as >50%).
Impairment Guidelines SFFAS 54.53 SFFAS 54.61	Please provide further elaboration on instances whereby Right-of-use Asset (lessee) or Lease Receivables (lessor) might be subject to impairment losses.

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

Please refer to above for 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.

We would like to see additional guidance around non-cash transactions whereby lessee may provide the lessor in-kind services or assets in exchange for the rights to use leased asset. Please provide guidance on whether the Agencies are expected to use imputed rent amount for such non-monetary transactions (for Federal leases as well as non-Federal).

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.

No comments on the matter. DOT agrees with proposed guidance.

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.

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DOT agrees with proposed guidance, however, would like to see further clarification around short-term sale-leaseback arrangements.

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.

No comments on the matter. DOT agrees with proposed guidance.