

Federal Accounting Standards Advisory Board

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NEWS RELEASE

FASAB Issues Exposure Draft, *Embedded Leases Practical Expedient*

The chair of the Federal Accounting Standards Advisory Board (FASAB), Terry K. Patton, announced today that the Board is seeking input on the exposure draft (ED) of a proposed Statement of Federal Financial Accounting Standards (SFFAS) titled *Embedded Leases Practical Expedient*.

Under the proposal, reporting entities could elect to apply a practical expedient to contracts or agreements that meet certain eligibility conditions and account for them as nonlease in their entirety. Reporting entities could apply the practical expedient to groups of contracts or agreements that are reasonably similar in nature. Contracts or agreements with multiple components that do not meet the eligibility conditions would continue to be reported following the guidance in paragraphs 72-77 of SFFAS 54, *Leases*.

“The Board continues to support adoption of the leases guidance through its post-implementation research and monitoring activities,” said Mr. Patton. “These proposed amendments are an important step in our efforts to ensure our standards remain consistent with federal financial reporting objectives and meet user needs, while considering the costs of implementation. We welcome and encourage public comment on today’s proposal.”

The Board requests comments by July 30, 2026. Respondents are encouraged to provide the reasons for their positions. The ED and the specific questions raised are available on the [FASAB website](#).

ABOUT FASAB

FASAB serves the public interest by improving federal financial reporting through issuing federal financial accounting standards and providing guidance after considering the needs of external and internal users of federal financial information.

Financial reports, which include financial statements prepared in conformity with generally accepted accounting principles, are essential for public accountability and for an efficient and effective functioning of our democratic system of government. Thus, the Board plays a major role in fulfilling the government's responsibility to be publicly accountable. Federal financial reports should be useful in assessing (1) the government's accountability and its efficiency and effectiveness and (2) the economic, political, and social consequences, whether positive or negative, of the allocation and various uses of federal resources.

FASAB issues federal accounting standards after following a due process consistent with the memorandum of understanding under which it operates. Due process includes consideration of the financial and budgetary information needs of citizens, congressional oversight groups, executive agencies, and the needs of other users of federal financial information.

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