(Topic 842), that establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases.

Aug. 19, 2018

The Financial Accounting Standards Board (FASB) has issued a proposal that would reduce costs and ease implementation of the Leases standard for financial statement preparers. The proposal would also clarify a specific requirement in the standard related to lessor accounting. Stakeholders are encouraged to review and provide comment on the proposal by September 12, 2018.

In 2016 the FASB issued Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, that establishes the principles to report transparent and economically neutral information about the assets and liabilities that arise from leases. Since that time the FASB has been assisting stakeholders with implementation questions and issues as organizations prepare to adopt the new lease requirements.

"Through our implementation process on the Leases standard, stakeholders informed us that lessors face certain issues in accounting for sales and other similar taxes, certain lessor costs, and certain requirements related to variable payments in contracts," said Russell G. Golden, FASB chairman. "This proposed accounting standard provides financial statement preparers relief and clarity in these areas and should help them implement the Leases standard."

Specifically, this proposed ASU addresses the following issues facing lessors when applying the Leases standard:

- **Sales taxes and other similar taxes collected from lessees.** The guidance would permit lessors, as an accounting policy election, to not evaluate whether these taxes are costs of the lessor or costs of the lessee. Instead, the lessor would account

lease and nonlease components when the changes in facts and circumstances on which the variable payment is based occur. After the allocation, the amount of variable payments allocated to the lease component would be recognized in accordance with the new Leases standard, while the amount allocated to nonlease components would be recognized in accordance with other accounting guidance (such as revenue from contracts with customers).

More information about the proposed ASU can be found at www.fasb.org.

Accounting