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**via email: director@fasb.org**

Technical Director  
Financial Accounting Standards Board  
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Proposed Accounting Standards Update (Revised) – Leases (Topic 842) (“the revised Exposure Draft”)

Technical Director:

Thank you for the opportunity to comment on the above referenced Exposure Draft. While the revised Exposure Draft includes some improvements from the initial exposure draft (e.g., the exclusion of leases with a duration of less than 12 months), we continue to object to the proposed standard. We submitted a comment letter in December 2010 in response to the initial exposure draft, and many of our concerns remain unchanged. We believe that the full costs of implementation and compliance with the proposed standard will significantly outweigh the benefit to financial statement users. Additionally, we continue to have concerns from a financing, tax and lessee accounting standpoint. We have provided further explanation of our concerns below:

**Implementation and Compliance Costs will outweigh the Benefit:**

The implementation of the new standard will be administratively complex while creating little value to financial statements users. In order to comply with the proposed accounting standard, we would likely incur substantial costs to develop an information system to capture and track necessary lease details, implement the proper controls and provide audit-related support. We believe that the proposals in the revised Exposure Draft add complexity to the identification of a lease agreement. According to the revised Exposure Draft, a lease must involve the use of an identified asset. Not all assessments will be straightforward as there may be a fine line between a lease contract and a service contract depending on substitution rights and other factors in the agreement, which may create confusion and lead to diversity in practice. We would need to incur costs to educate and train employees at each of our locations to ensure they have the necessary skills to identify a lease and determine whether they are recording every lease in the appropriate manner, including: assumptions made to measure the right-of-use asset and lease liability that will be added to the balance sheet, assessments related to lease term, identification of the lease type (i.e., Type A or Type B) and calculations for expense recognition. We would be required to report an asset and a liability on our balance sheet for innumerable amounts of low cost items

that are leased for convenience and administrative purposes. For example, we have nearly 10,000 pieces of equipment on lease with numerous commencement dates and lease terms for just our server and networking purposes. Yet our total annual operating lease expense is generally less than one percent of our cost of sales. This is not only impractical and burdensome, but also is of little value to a financial statement user.

**Negative Effects on Financing:**

We have several credit agreements that contain cross-default clauses which include capital leases in the definition of debt. If we failed to make a payment on a capital lease, it could be seen as a default. We would therefore likely amend the credit agreements to modify the definition to exclude capital leases. However, this would again take significant time and effort and result in further costs to the company. For many companies, covenants would need to be renegotiated, again leading to further costs and efforts. Additionally, if implemented, the proposed leasing standard will likely have an overall negative impact on the ability of businesses to borrow and on the cost of leasing.

**Tax Accounting Issues:**

It is currently uncertain how the Internal Revenue Service will respond to the proposed lease accounting and how tax reporting requirements will change. If leases that were formerly operating leases for book and tax purposes continue to be treated as operating leases for tax purposes but are now subject to the new lease accounting rules, extensive reconciling of tax versus book treatment will be necessary, possibly for each and every asset acquisition and disposition. These changes will impose a significant cost and burden on reporting entities. There will also likely be changes in apportionment factors for state income taxes since rent expense would be replaced by a capitalized lease asset. Furthermore, personal property taxes in various locations may increase as a result of this accounting change since many tax jurisdictions begin with book value and new "fixed assets" will be added on the books.

**Lessee Accounting:**

Capital leases convey substantially all the benefits and risks of ownership (e.g., ability to modify a building) whereas operating leases do not. Also, operating leases do not survive in bankruptcy; the asset reverts to its owner and lease payments cease, which supports the view that operating leases should not be recognized on the lessee's balance sheet. They should remain with the lessor, as the lessor is the legal owner of the asset. Only a lease that transfers substantially all the benefits and risks of ownership should be recognized on the balance sheet.

Consider the fact that companies often have take or pay contracts, unconditional purchase obligations, and other executory contracts that are not recognized on their balance sheets. Operating leases are similar and should be treated in the same way.

**Conclusion:**

It is pertinent to consider how the proposed standard incrementally improves the quality of information available to financial statement users to make economic decisions while also fully considering the costs of implementation and compliance as well as the effects on a company's financing and tax accounting.

We feel that the information required to be disclosed in the footnotes to the financial statements under current lease accounting guidance is sufficient to enable financial statement users to make informed economic decisions. However, if it is determined that significant benefits to financial statements users can be achieved by enhancements to the current lease footnote disclosures, rather than changes to the lease accounting model, we would not be opposed to including them in our interim or annual financial statements.

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We appreciate the opportunity to express our views and concerns regarding the revised Exposure Draft. If you have any questions with respect to our comments, please call our Director of External Reporting, Kim Fast, at 412-433-5572.

Sincerely,

/s/ Gregory A. Zovko  
Gregory A. Zovko  
Vice President & Controller