August 17, 2018

Re: Leases Topic 842 Exposure Draft
Narrow Scope Improvements for Lessors
Financial Accounting Standards Board (FASB)
Norwalk, Connecticut

Dear FASB:

I wish to comment on exposure draft on Leases which specifically enumerates the treatment of certain ancillary and sales tax costs associated with a lease by certain lessors.

Question 1: Should a lessor’s accounting for sales tax and other costs from lessees be aligned with Topic 606, the current guidance on lease accounting? Yes, consistency is a defined accounting concept and our accounting for these matters should be entirely consistent. It is confusing to have one set of rules for lessees and another for lessors.

Question 2: Is the proposed accounting standard operable? Yes, I have no exposure to any lessor accounting which suggests that it would not be operable.

Question 3: Would the proposed accounting standard result in a reduction of decision-making usefulness of a lessee? While it is true that lessee financial statements would no longer be comparable, given this new guidance, I believe that the de minimum cost of compliance would outstrip any loss of comparability and would, in fact, enhance current accounting on the lessor’s part.

Question 4: Should a lessor be required to exclude certain lease costs paid by the lessee on behalf of a lessor to a third party be considered variable payments when the uncertainty over such payments is not expected to be resolved? This is tough. Perhaps a stronger exposure draft would make such compliance optional, to be ‘firmed up at a later date. I am unclear as to what specific costs would be such that the uncertainty over the amount due would exist between the time of charge and the preparation of the financial statements. I can only think of one specific type of such cost, which would be common area charges, but these are usually resolved well before the publication of financial statements.
Is the accounting for certain lessor payments operable? Yes, I believe the lessor has identified and computed what the specific costs would be.

Question 12: Should the adjustments in this exposure draft be implemented upon implementation of the previous FASB ruling on leases? Yes, this would make the financial statements as consistent and comparable as possible.

I realize that I did not address certain of the questions and I leave to my other practitioners in the profession to address those matters.

Thank you for the honor to submit this letter,

John Taylor, CPA
41 Cole Street
Beverly, MA 01915