Ford Motor Company (“Ford”), a global automotive industry leader based in Dearborn, Michigan, manufactures or distributes automobiles across six continents. Ford Motor Credit Company LLC, an indirect, 100% owned subsidiary of Ford, is one of the world’s largest automotive finance companies. We appreciate the opportunity to comment on the Exposure Draft “Narrow Scope Improvements for Lessors.”

We appreciate the Board responding to concerns raised by lessors, and we support the Board’s proposal to permit lessors to not evaluate whether certain sales taxes and other similar taxes are costs of the lessor or lessee. We agree that the accounting for these taxes should be aligned with the accounting in Topic 606, which allows an entity to make an accounting policy election to exclude the amounts from the measurement of the transaction price. We also support the Board’s proposal to permit lessors to exclude from variable payments costs paid by a lessee directly to a third party when the amount of the costs paid by the lessee is not readily determinable by the lessor.

We recommend that the Board modify the guidance in paragraph 842-10-15-39A which presently reads “Taxes assessed on a lessor’s total gross receipts or on the lessor as owner of the underlying asset shall be excluded from the scope of this election.” We agree that taxes as owner of the underlying asset should be excluded from the election, specifically when the asset is permanently located in one location (i.e. immobile property). However, we recommend that the Board allow the accounting policy election for property taxes on mobile property, such as vehicles, for which the lessee controls the location and the jurisdiction in which those taxes are assessed. In certain jurisdictions, the lessor remits the taxes directly and subsequently collects from the lessee, while in other jurisdictions, the lessee pays the property taxes directly. The proposed updates would require lessors to record a gross-up of revenue and expense for vehicle lease agreements in states that levy property taxes to the lessee as the owner, but would not require a gross-up of revenue and expense in states where the lessee pays the property taxes directly.

We believe that grossing up revenue and expenses in the states that levy property taxes on vehicles to the owner / lessor would not be useful for the users of our financial statements. The proposed guidance would yield different accounting results for vehicle lease agreements structured with similar terms and conditions based on the physical location of the vehicle.

We strongly encourage the Board to allow this election to include all mobile assets (i.e., vehicles in which the lessee controls the location), regardless of whether the taxes are generated based on the lessor’s ownership of the underlying asset or the taxes are paid directly by the lessee. This recommendation is supported by the Basis of Conclusions (paragraphs BC8 and BC9) that the accounting policy election was added due to stakeholders’ concerns and challenges associated with the variation of and changes in tax laws among jurisdictions.

We appreciate the Board’s consideration of our views.

Sincerely,

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