

Resources

March 2011 Update: Second Thoughts on Proposed Lease Accounting Rule Changes

March 9, 2011

We wrote last summer about significant proposed lease accounting rule changes that, upon implementation, would treat most leases as capital leases and require that they be reflected on the lessee's and lessor's balance sheets. At the time, adoption of these new rules seemed almost certain, with an anticipated effective date as early as 2012.

Recent meetings of the task force considering these changes suggest that, while some type of change likely remains on the horizon, the nature and scope of that change could be dramatically different from what seemed imminent just a few short months ago. Responding to a large number of comments to last year's exposure draft of the proposed new rules, the U.S. Financial Accounting Standards Board and the Europe-based International Accounting Standards Board tentatively decided to focus on an approach that would classify a lease as either "finance" or "other than finance," terms that sound eerily similar to current terminology that classifies a lease as either "capital" (i.e., finance) or "operating." An important part of this new focus will be to analyze and identify the factors that will cause a lease to fit within the "finance" or "other than finance" classification.

While it is too early to say with certainty that a significant category of leases will remain for which balance sheet disclosure is not necessary, the uncertainty generated by these recent actions suggests that it may be prudent for real estate owners and users to slow down their plans for adapting to the proposed accounting rule changes as we wait for more definitive statements from the task force.

We will continue to monitor the progress of this potentially significant initiative. Please contact **Brian Page** at 616-776-7509 or **Robert Linton** at 312-627-2274 for more information or to address questions.

As part of our service to you, we regularly compile short reports on new and interesting developments and the issues the developments raise. Please recognize that these reports do not constitute legal advice and that we do not attempt to cover all such developments. Rules of certain state supreme courts may consider this advertising and require us to advise you of such designation. Your comments on this newsletter, or any Dykema publication, are always welcome. © 2011 Dykema Gossett PLLC.

Attorneys

Robert C. Linton

Brian J. Page

Practice Areas

Real Estate

As part of our service to you, we regularly compile short reports on new and interesting developments and the issues the developments raise. Please recognize that these reports do not constitute legal advice and that we do not attempt to cover all such developments. Rules of certain state supreme courts may consider this advertising and require us to advise you of such designation. Your comments are always welcome. © 2019 Dykema Gossett PLLC.