



## **Sales Taxes and Other Similar Taxes Collected from Lessees**

ARI believes that the proposed accounting policy election that allows a lessor to exclude sales and similar taxes from the transaction price is both reasonable and helpful relief. We agree with the commentary in the proposal that grossing up these amounts would be costly and burdensome while not offering decision-useful information to users of lessor financial statements.

One concern that remains is related to sales taxes that are capitalized into a lease. In these cases, the transaction price (lease payments) would include at least some portion of sales tax. If the application of the policy election were to be required to be made all leases, including those with sales taxes capitalized to a lease, would the lessor be required to remove the impact of the capitalized taxes from revenue? If so, this could also be costly and burdensome for lessors.

ARI would like clarification as to whether personal property taxes (as opposed to real property taxes) would fall under the “other similar taxes” definition within this section.

## **Certain Lessor Costs Paid Directly by Lessees**

The proposed update for certain lessor costs is primarily based on whether or not lessor costs paid directly by lessees are readily determinable. As it applies to fleet leases, ARI believes that insurance coverage is the largest item to consider. ARI agrees that insurance coverage of a lessor owned asset is a lessor cost, however when a lessee is required to carry insurance and pays premiums directly to the insurer, it is extremely difficult for the lessor to determine the appropriate cost to include. Estimating the amount is also not desirable because many lessee specific factors could have a significant impact on actual premium amounts paid. Excluding these costs from revenue and expense is the most appropriate treatment.

Additionally, lessees carry insurance in their normal course of business and do not typically add specific insurance policies for fleet leases. Under the Graves amendment, lessors are specifically shielded from suits related to fleet leases unless if due to a lessor’s gross negligence, in which case a lessor’s insurance policy would apply. This furthers ARI’s concern as to the necessity of this provision

## **Recognition of Variable Payments for Contracts with Lease and Non-lease Components**

ARI does not believe this has a significant impact for the majority ARI’s fleet leases. The lease agreements that ARI typically contracts with lessees are of an unbundled nature. As





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such, there would not be non-lease components within the transaction price to be separately treated.

### **Transition and Effective Date for Early Adopters**

ARI believes that setting the effective date of the update equal to that of topic 842 does make sense. From ARI's perspective, the early adoption consideration is a non-issue because ARI has not elected to early adopt.

