

September 11, 2018

Mr. Russell Golden, Chairman
Financial Accounting Standards Board
401 Merritt 7
P.O. Box 5116
Norwalk, CT 06856-5116

(Sent via e-mail to director@fasb.org)

Re: File Reference No. 2018-260

Dear Mr. Golden:

The International Business Machines Corporation (“IBM” or “the company”) appreciates the opportunity to comment on the proposed Accounting Standards Update: *Leases (Topic 842): Narrow-Scope Improvements for Lessors* (the “proposed amendment” or “exposure draft”), issued by the Financial Accounting Standards Board (“FASB”).

We commend the FASB for issuing the proposed ASU and for their responsiveness to stakeholder concerns. We believe several of the proposed changes within the exposure draft will improve the operability of Topic 842 and will reduce the cost and complexity of transitioning to and applying the new lease standard. While we are supportive of revisions to Topic 842, including, but not limited to, the sales tax policy election, to provide relief to preparers upon transition and during the on-going application of the standard, we believe additional changes should be considered to fully address concerns of stakeholders while still providing the necessary, useful information to users of financial statements.

In relation to Issue 2, *Certain Lessor Costs Paid Directly by Lessees*, we believe that only allowing these costs, such as property taxes and insurance, to be excluded from variable (lease) revenue and related costs, when the costs are not readily, determinable could cause unnecessary work for preparers. As discussed in the Summary Section and paragraph BC7 of the proposed amendment, recognizing revenue and the related expenses for these types of lessor costs would provide minimal, if any, financial reporting benefits because the net effect of recording these costs would be zero in the income statement. As such, we believe the costs of having preparers substantiate whether or not these costs are readily determinable, and subsequently provide evidence to auditors, would not outweigh the benefits.

Further, the costs and complexities, discussed in paragraph BC8 of the proposed amendment, related to assessing tax laws in each jurisdiction are also relevant to property taxes for lessors as well as relevant from a lessee’s perspective as it relates to sales, value-add and property taxes. We believe providing a policy election for lessors’ property taxes and insurance, similar to the proposed sales tax policy election, would alleviate an unnecessary burden for preparers while still providing the appropriate decision-useful information to users. We also encourage the FASB to explore a policy election for lessee taxes. Even when a lessee has elected the practical expedient to combine lease and nonlease components, having to determine whether each type of tax is a lessor or lessee cost, by jurisdiction, adds significant complexity and workload to the implementation of the new standard, with limited financial reporting benefits to the user.

In addition to the points above, we encourage the FASB to continue to gather feedback from stakeholders and monitor implementation issues arising from the new lease standard, as well as explore additional expedients that may provide transition relief for preparers without eliminating useful decision-making information for users. Further, we believe finalizing the proposed amendments and any other potential changes relating to the new lease standard in a timely manner is critical. Any changes may impact current implementation efforts including, but not limited to, system configuration.

Thank you for the opportunity to comment on the exposure draft. If you have any questions, please contact me at (914) 765-5074.

Sincerely,

Alison Yara
VP, Acctg. Policy & Financial Reporting
Internet address: ayara@us.ibm.com
1 North Castle Drive, Armonk NY 10504
Office 3C-118
Teline 251-5074
Outside Line 914-765-5074