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September 11, 2018

Technical Director
Financial Accounting Standards Board
401 Merritt 7
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VIA Electronic Mail (director@fasb.org)

File Reference: 2018-260

Dear Board Members and FASB Staff:

Ally Financial Inc. ("Ally") is pleased to comment on Financial Accounting Standards Board's ("FASB" or the "Board") Proposed Accounting Standards Update, *Leases (Topic 842), Narrow-Scope Improvements for Lessors* (the "Proposed Update"). Ally is a leading digital financial services company with assets of $171 billion as of June 30, 2018. Ally's award-winning online bank (Ally Bank, Member FDIC and Equal Housing Lender) offers mortgage-lending services and a variety of deposit and other banking products. Additionally, Ally offers securities brokerage and investment advisory services through Ally Invest. Ally remains one of the largest full-service auto finance operations in the country with a complementary auto-focused insurance business, which together serve more than 18,000 dealer customers and millions of auto consumers. Ally's corporate finance business offers capital for equity sponsors and middle-market companies.

In general, we are supportive of the amendments in the Proposed Update, particularly the overall general objective of the proposal to assist lessors in the implementation of Accounting Standards Update 2016-02, *Leases (Topic 842)* ("ASU 2016-02"). However, we have the following general comment with respect to the Board's proposal.

General Comment

Sales Taxes and Other Similar Taxes Collected from Lessees

Ally supports the FASB's proposed amendment to ASU 2016-02 that will allow a lessor to make an accounting policy election to exclude all taxes imposed by a governmental authority and collected from a lessee from consideration in the contract and from variable payments not included in consideration in the contract. However, we believe the guidance in the Proposed Update could potentially lead to unintended and divergent revenue recognition practices for certain other taxes inherent within leasing activities. For example, there are currently 27 states that levy a personal property tax on vehicles, which is ultimately the responsibility of the legal owner of the vehicle, which under a leasing arrangement is the lessor. Standard industry practice for an automobile leasing transaction is for any required property taxes to be paid by the lessee, whether the customer is billed directly or, in the event the lessor is billed by the taxing authority, as a pass-through cost that is billed by the lessor to the lessee.

As currently drafted, the Proposed Update would require the lessor, in the states where these assessments are billed directly to the lessor, to record the related revenue and expense on a gross basis as they seek reimbursement from the customer, while lessors in states that bill the customer directly will not be required to record the related revenue or expense. From the perspective of the lessor, the current wording in the Proposed Update will lead to entities utilizing different patterns for revenue recognition for effectively the same revenue producing transaction, with the only difference being the state in which the customer resides. This could potentially lead to a lack of comparability between companies that engage in leasing activities, as the company that has a higher volume of transactions in states that bill the leasing company for property taxes would have higher gross revenue than companies that do not engage in leasing activities in these states. Further, customers can relocate to states that have different billing practices related to personal property taxes, or to states that do not assess personal property taxes, which would lead to further differences in the amount of revenue and expense recorded, even within the same lease contract. While this difference in revenue recognition practices would not have an impact on net income, Ally believes the Proposed Update could provide potentially misleading information by effectively overstating lease revenue and expense solely due to a pass-through item for a subset of leases in certain geographic locations.

Ally believes this disconnect can be corrected with the following suggested amendment to the election on taxes in paragraph 842-10-15-39A in the Proposed Update (proposed changes are denoted in bold):

"*A lessor may make an accounting policy election to exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all taxes assessed by a governmental authority that are* ~~***imposed on and concurrent with a specific lease revenue-producing transaction and***~~ *collected by the lessor from a lessee* ~~***(for example, sales, use, value added, and some excise taxes). Taxes assessed on a lessor's total gross receipts or on the lessor as owner of the underlying asset shall also be included in excluded from the scope of this election.***~~ *A lessor that makes this election shall exclude from the consideration in the contract and from variable payments not included in the consideration in the contract all taxes within the scope of the election and shall comply with the disclosure requirements in paragraph 842-30-50-14.*"

Ally acknowledges that in the example related to costs that are readily determinable by the lessor, the Board included property taxes as part of the example. While we understand the context of the example, we believe these taxes should be excluded from the example for the reasons noted above. Therefore, if the Board expands the election on taxes to include all taxes, the example that begins in paragraph 842-10-55-141 would also require amendment.

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Ally appreciates the opportunity to share our comments with the Board. We urge the FASB Staff to consider our comments, as well as, applicable responses to questions for respondents in Appendix A when finalizing the Proposed Update. If you have any questions on the comments contained in this letter, please contact me at (267) 387-7049.

Sincerely,

Mark Sitlinger
Senior Director, Corporate Accounting Policy
Ally Financial Inc.

cc: Mr. David DeBrunner, Chief Accounting Officer and Corporate Controller

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Appendix A

Questions for Respondents

Sales Taxes and Other Similar Taxes Collected from Lessees

Question 1: Should a lessor's accounting for sales taxes and other similar taxes collected from lessees be aligned with Topic 606? If not, please explain why.

Ally Response: As noted in our general comments, we believe all taxes that are imposed by a governmental authority that are directly related to a lease revenue producing activity should be aligned with Topic 606.

Question 3: Would the proposed accounting policy election result in a reduction of decision-useful information to users of a lessor's financial statements? If so, please explain why.

Ally Response: No. As noted in our general comments, we believe the accounting policy election should include all taxes that are imposed by a governmental authority that are directly related to a lease revenue producing activity. Further, we do not believe that the suggested expansion of the proposed accounting policy election as suggested in our general comments would result in a reduction of decision-useful information.

Question 4: Should a lessor's accounting policy election for sales taxes and other similar taxes collected from lessees be applied to new lease contracts only or to all existing and new lease contracts? Please explain your rationale.

Ally Response: We believe the lessor's accounting policy election should be applied to all existing and new lease contracts as of the date of initial application. This would provide a consistent transition option with the options that were provided upon adoption of ASC 606 and would enhance the operability of the election within the Proposed Update.

Certain Lessor Costs Paid Directly by Lessees

Question 5: Should a lessor be required to exclude certain lessor costs paid directly by lessees to third parties on behalf of a lessor as variable payments when the uncertainty in the amount is not expected to ultimately be resolved? If not, please explain why.

Ally Response: Yes. We believe that lessor costs that are paid by the lessee in which the uncertainty as to the amount is not expected to be ultimately resolved should be excluded from variable lease payments.

Question 6: Are the proposed amendments for the accounting for certain lessor costs operable? If not, please explain why.

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Ally Response: Yes. We believe the proposed amendments for certain lessor costs are operable. However, as noted in our general comments, we do believe all taxes paid by the lessor that are passed-though to lessees should be included in the accounting policy election related to certain other taxes, since the way certain taxes are billed differs on a jurisdictional basis, which could result in divergent revenue recognition practices.

Question 7: Would the proposed requirement for a lessor to not report certain lessor costs paid directly by a lessee to a third party on behalf of the lessor result in a reduction of decision-useful information to users of a lessor's financial statements? If so, please explain why.

Ally Response: No. We do not believe the exclusion of lessor costs paid directly by a lessee to a third party on behalf of the lessor would result in a reduction in decision-useful information.

Question 8: Should the proposed amendment in paragraph 842-10-15-40A to exclude certain lessor costs paid directly by lessees on behalf of a lessor as variable payments be applied to new lease contracts only or to all existing and new lease contracts? Please explain your rationale.

Ally Response: Yes. We believe the exclusion of certain lessor costs paid directly by lessees on behalf of a lessor as variable payments should be applied to all existing and new lease contracts in order to maintain consistency and comparability.

Transition and Effective Date for Early Adopters

Question 12: Should the effective date for the amendments in this proposed update be aligned with that of Update 2016-02? If not, please explain why.

Ally Response: Yes. We believe the effective date for the amendments in this proposed Update should be aligned with that of ASU 2016-02.