



The Monthly Dividend Company®

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New York Stock Exchange Symbol "O"

Ms. Susan Cospier
Technical Director
Financial Accounting Standards Board ("FASB")
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RE: File Reference No. 2018-260

Dear Ms. Cospier,

Thank you for the opportunity to comment on the FASB's Proposed Accounting Standards Update, *Leases (Topic 842): Narrow-Scope Improvements for Lessors* ("the Proposed ASU"). As an introduction, Realty Income ("Realty Income," "the company," "we" or "our"), The Monthly Dividend Company®, is an S&P 500 company located in San Diego, CA, which is dedicated to providing stockholders with dependable monthly income. The company is structured as a REIT, and our monthly dividends are supported by the cash flow from over 5,400 real estate properties owned under long-term lease agreements in 49 states and Puerto Rico, leased to 257 different commercial tenants, and doing business in 48 industries.

General Conclusion

We support the proposed amendments which allow lessors to exclude variable payments made directly by the lessee to a third party when the amount is not readily determinable by the lessor, but believe that the proposed language could be clarified or expanded to include additional examples. As proposed, there is some ambiguity as to whether the property taxes paid directly by lessees are readily determinable and as to who legally holds the liability of payment. We believe that triple-net leases transfer the obligation to pay property taxes to the lessee and, as these costs are paid directly to third-parties, they should not be reflected in our statement of operations. Additionally, due to our large number of properties owned, there would be increased costs and challenges in obtaining the amount of property taxes paid by each tenant. We have responded below to those questions which are specifically applicable to our company.

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.

Yes, aligning this accounting with ASC 606 would be appropriate.

Question 2: Is the proposed accounting policy election, as written in this proposed Update, operable? If not, please explain why.

Yes, we believe the proposed accounting policy election is operable.

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.

No, we do not believe the accounting policy election would result in a reduction of decision-useful information to users of a lessor's financial statements.

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.

Yes, we believe that requiring a lessor 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 reduces complexity and provides for consistency with other paragraphs in Topic 842 as well as with other Topics in the Codification where uncertainty exists.

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

Yes, we believe the proposed accounting policy election is operable; however, we believe it would be helpful to clarify the following sentence in paragraph 842-10-15-40A "a lessor shall exclude from variable payments lessor costs paid by a lessee directly to a third party when the amount of lessor costs paid by the lessee is not readily determinable by the lessor."

We believe the intent for this exclusion is to ensure lessors recognize taxes when it is clearly their obligation, however, we believe the paragraph as written is unclear. By adding more clarification around this exception and providing examples of costs (specifically related to property taxes) that are readily determinable, lessors could more easily identify costs that fall within the scope of this exclusion.

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.

No, we do not believe the accounting policy election would result in a reduction of decision-useful information to users of a lessor's financial statements.

However, as it relates to property taxes for triple-net leases, the overall amounts subject to the accounting policy election would net to zero and we do not believe that reporting these items at gross would provide any real value to users. Management does not make any operating decisions based on

this information and the amount of lessee paid costs is not requested or used by our analysts or investors. In addition, as this proposed gross-up of revenue and expense has no impact to net income, funds from operations (FFO) or adjusted funds from operations (AFFO) (both FFO and AFFO are non-GAAP performance measures used to evaluate a REIT's performance), it would likely result in additional, and potentially confusing, disclosures to provide pro-forma financial information for users of our financial statements.

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.

We believe the lessor should be permitted to apply their current policy to existing leases and apply the accounting policy election to new leases upon transition as the information required for gross presentation may not be readily determinable by the lessor for existing leases.

Variable Payments for Contracts with Lease and Nonlease Components

Question 9: Would the proposed amendments clarify the application of paragraph 842-10-15-40? If not, please explain why.

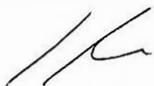
Yes, the amendments provide sufficient information to clarify the application of paragraph 842-10-15-40.

Question 10: Are the proposed amendments for the accounting for certain variable payments for contracts with lease and nonlease components operable? If not, please explain why.

Yes, the proposed amendments for the accounting for certain variable payments for contracts with lease and nonlease components are operable.

We appreciate your consideration of our comments. Please contact us if you have any further questions or concerns.

Sincerely,



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