



September 26, 2017

# Some Property Rights Contracts May Get Relief from the Lease Standard

ENERGY & RESOURCES

BY BRIAN MATTHEWS

The Financial Accounting Standards Board (FASB) issued a proposed amendment to Accounting Standard Update 2016-02 Topic 842 – Leases (ASU 2016-02) that would provide relief for certain types of property rights like land easements and rights of use. ASU 2016-02 - required to be implemented by public companies starting in 2019 and for nonpublic entities in 2020 - applies to all contracts that convey the right to control the use of identified property, plant or equipment (an identified asset) for a period of time, in exchange for consideration.

Easements are specialized property contracts that let customers use all or part of a piece of land, and are a common means for oil and gas pipeline owners and electric utilities to connect pipelines and power lines. A pipeline operator may have more than 100 easements for a single line. Without the proposed change, land easements would have to be evaluated to determine whether they contain a lease and follow the new guidance.

The proposed accounting standard update doesn't provide complete relief and will allow companies to continue accounting for land easements under the current method until the contracts are modified. The proposed standard update requires new agreements and contracts to be assessed under Topic 842.

The comment period for the proposed ASU for "Land Easement Practical Expedient for Transition to Topic 842" is open until October 25, 2017.

For more information, [contact Schneider Downs](#) or [visit the Our Thoughts On blog](#).

## You've heard our thoughts... We'd like to hear yours

The Schneider Downs Our Thoughts On blog exists to create a dialogue on issues that are important to organizations and individuals. While we enjoy sharing our ideas and insights, we're especially interested in what you may have to say. If you have a question or a comment about this article – or any article from the Our Thoughts On blog – we hope you'll share it with us. After all, a dialogue is an exchange of ideas, and we'd like to hear from you. Email us at [contactSD@schneiderdowns.com](mailto:contactSD@schneiderdowns.com).

Material discussed is meant for informational purposes only, and it is not to be construed as investment, tax, or legal advice. Please note that individual situations can vary. Therefore, this information should be relied upon when coordinated with individual professional advice.

