

February 17, 2012

The Honorable Tim Johnson
Chairman
Committee on Banking, Housing and
Urban Affairs
U.S. Senate
Washington, DC 20510

The Honorable Richard Shelby
Ranking Member
Committee on Banking, Housing and
Urban Affairs
U.S. Senate
Washington, DC 20510

The Honorable Spencer Bachus
Chairman
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

The Honorable Barney Frank
Ranking Member
Committee on Financial Services
U.S. House of Representatives
Washington, DC 20515

Dear Chairman Johnson, Ranking Member Shelby, Chairman Bachus and Ranking Member Frank:

Our organizations comprise all sectors of the global economy, representing businesses that employ tens of millions of workers worldwide. As such, we recognize that accurate and transparent financial reporting is a cornerstone of both worldwide and domestic capital markets.

We do not believe that accounting standards should be legislated. However, we do believe that a formal, open and transparent cost-benefit analysis should be an integral part of the financial reporting standard setting process. As such, we would like to draw your attention to a report that we are issuing today, [*The Economic Impact of the Current IASB and FASB Exposure Draft on Leases*](#) (“Report”).

With a market in the trillions of dollars, leases are an important building block for many different sectors of the economy including income-producing commercial real estate, construction, aerospace, transportation, office equipment, retail and restaurants, to name a few. The International Accounting Standards Board (IASB) and Financial Accounting Standards Board (FASB) have been working on a new proposed Lease accounting standard (“proposal”) over the past few years as one of the accounting convergence projects.

The Report analyzes the current proposal and under a best case scenario estimated its economic impacts as:

- Increasing liabilities for U.S. public companies by \$1.5 trillion;
- Increasing costs to U.S. public companies by \$10.2 billion annually;
- Potentially leading to job losses of more than 190,000;

- Reducing U.S. household earnings by \$7.8 billion annually; and
- Lowering U.S. GDP by \$27.5 billion each year annually.

A failure to fully understand the economic ramifications of these accounting changes or to address these issues in an attentive and deliberative manner may harm businesses that own, invest in or rent commercial real estate or use leases for other purposes from office equipment to construction machinery. In addition, the financial services sector that provides the liquidity and credit needed for these transactions to take place could also be severely impacted. This increase in uncertainty will have short-term and long-term consequences that have the potential to undermine efforts towards economic recovery.

Thoroughly vetted and sound accounting standards are needed to create certainty in the marketplace for investors and businesses alike. A comprehensive examination of the costs and benefits should be a part of that process.

Sincerely,

Building Owners and Managers Association International
CCIM Institute
Institute of Real Estate Management
NAIOP, the Commercial Real Estate Development Association
National Association of REALTORS®
REALTORS® Land Institute
Society of Industrial and Office REALTORS®
The Real Estate Roundtable
U.S. Chamber of Commerce