UNIVERSITY OF ALASKA
UNIFORM GUIDANCE WORKING GROUP

Section Number & Name: 200.465 Rental costs of real property and equipment
A-21 Reference: J-43

BACKGROUND INFORMATION:

A. Does the revised guidance contain new language? ☒ Y ☐ N

Specifically describe the new language and how it differs: See attached.
Simplifies language, defines family members.

B. Is the new guidance more or less restrictive than university processes? ☒ More ☐ Less

Specifically describe how it is more or less restrictive:
Specifies that a rental of any property owned by an individual or entity that is affiliated with UA is unallowable

C. Cite any relevant system-wide policies/regulations/procedures:
Accounting and Administrative Manual D-03 Accounting for Unallowable Costs

D. Cite any MAU-level relevant processes or manuals:
_____

E. Is there an impact to electronic systems (Banner HR/Finance, Web Timesheets, Effort Reporting, etc.)? ☐ Y ☒ N

List specific system(s) impacted and method of impact:
_____

ACTION PLAN: Is specific action needed? ☒ Y – see below ☐ N – no action needed

Recommended Action(s):

1. Update Accounting and Administrative Manual D-03 Accounting for Unallowable Costs on the matrix for definition and citation

UA responsible area requiring documentation of compliance: Rosemary Madnick, Heather Paulsen, Barbara Hyde, Tanya Hollis, Christi Eickholt, Andrew Gray, Claire Ligsay, Cindy Eriksen, Tana Myrstol

200.465 Rental costs of ~~buildings~~real property and equipment.

(a) Subject to the limitations described in ~~subsections~~ paragraphs (b~~.~~) through (d~~.~~) of this section, rental costs are allowable to the extent that the rates are reasonable in light of such factors as: rental costs of comparable property, if any; market conditions in the area; alternatives available; and~~,~~ the type, life expectancy, condition, and value of the property leased. Rental arrangements should be reviewed periodically to determine if circumstances have changed and other options are available.

(b) Rental costs under "sale and lease back" arrangements are allowable only up to the amount that would be allowed had the non-Federal entity continued to own the property. This amount would include expenses such as depreciation, maintenance, taxes, and insurance.

~~allowable only up to the amount that would be allowed had the institution continued to own the property. This amount would include expenses such as depreciation or use allowance, maintenance, taxes, and insurance.~~

~~(d)~~(c) Rental costs under ~~"~~"less-than-~~arms~~arm's-length~~"~~" leases are allowable only up to the amount (as explained in ~~subsection~~ paragraph (b) ~~that would be allowed had title to the property vested in the institution.~~ of this section). For this purpose, a less-than-~~arms~~ arm's-length lease is one under which one party to the lease agreement is able to control or substantially influence the actions of the other. Such leases include, but are not limited to those between~~---~~:

~~• Divisions of a institution;~~

(1) the non-Federal ~~entities~~entity;

(2) The non-Federal entity under common control through common officers, directors, or members; and

(3) ~~a institution~~The non-Federal entity and a director, trustee, officer, or key employee of the ~~institution~~non-Federal entity or ~~his~~an immediate family member, either directly or through corporations, trusts, or similar arrangements in which they hold a controlling interest. For example, ~~a institution~~the non-Federal entity may establish a separate corporation for the sole purpose of owning property and leasing it back to the ~~institution~~non- Federal entity.

(4) Family members include one party with any of the following relationships to another party:

(i) Spouse, and parents thereof;

(ii) Children, and spouses thereof;

(iii) Parents, and spouses thereof;

(iv) Siblings, and spouses thereof;

(v)Grandparents and grandchildren, and spouses thereof;

(vi) Domestic partner and parents thereof, including domestic partners of any individual in 2 through 5 of this definition; and

(vii) Any individual related by blood or affinity whose close association with the employee is the equivalent of a family relationship.

~~(iv)~~ Rental costs under leases which are required to be treated as capital leases under GAAP are allowable only up to the amount (as explained in ~~subsection b~~paragraph (b) of this section) that would be allowed had the ~~institution~~non-Federal entity purchased the property on the date the lease agreement was executed. The provisions of ~~Financial Accounting~~

~~(7)~~(5) ~~Standards Board Statement 13, *Accounting for Leases*, shall~~GAAP must be used to determine whether a lease is a capital lease. Interest costs related to capital leases are allowable to the extent they meet the criteria in ~~section J.26.~~§200.449 Interest. Unallowable costs include amounts paid for profit, management fees, and taxes that would not have been incurred had the ~~institution~~non-Federal entity purchased the ~~facility~~property.

(6) The rental of any property owned by any individuals or entities affiliated with the non-Federal entity, to include commercial or residential real estate, for purposes such as the home office workspace is unallowable.