# 31.205-36 Rental costs.

(a) This subsection is applicable to the cost of renting or leasing real or *personal property* acquired under "operating leases" as defined in Financial Accounting Standards Board's Accounting Standards Codification (FASB ASC) 840, Leases. (See 31.205-11 for Capital Leases.)

(b) The following *costs* are allowable:

(1) Rental *costs* under operating leases, to the extent that the rates are reasonable at the time of the lease decision, after consideration of-

(i) Rental *costs* of comparable property, if any;

(ii) Market conditions in the area;

(iii) The type, life expectancy, condition, and value of the property leased;

(iv) Alternatives available; and

(v) Other provisions of the agreement.

(2) Rental *costs* under a sale and leaseback arrangement only up to the amount the contractor would be allowed if the contractor retained title, computed based on the net book value of the asset on the date the contractor becomes a lessee of the property adjusted for any gain or loss recognized in accordance with 31.205-16(b).

(3) Charges in the nature of rent for property between any divisions, subsidiaries, or organizations under common control, to the extent that they do not exceed the *normal costs* of ownership, such as *depreciation*, taxes, *insurance*, *facilities capital cost of money*, and maintenance (excluding interest or other *unallowable costs* pursuant to part 31), provided that no part of such *costs shall* duplicate any other allowed cost. Rental cost of *personal property* leased from any division, subsidiary, or affiliate of the contractor under common control, that has an established practice of leasing the same or similar property to unaffiliated lessees *shall* be allowed in accordance with paragraph (b)(1) of this subsection.

(c) The allowability of rental *costs* under unexpired leases in connection with terminations is treated in 31.205-42(e).

**Parent topic:** 31.205 Selected costs.