# CHAPTER 30-6 CALCULATING IMPUTED RENTS



## 30-6.1 PURPOSE

The purpose of this chapter is to provide guidance for calculating imputed rents for no-cost or nominal-cost leases with Tribes, Tribal Organizations or others. Although it is possible to have a no-cost or nominal cost lease with entities other than Tribes or Tribal Organizations it is not likely.

## 30-6.2 DEFINITIONS

General Ledger - The main accounting record and summary of all financial transactions that occur within an organization. The General Ledger is the core of IHS financial records whereby every transaction flows through as a permanent track of the history of all financial transactions.

Imputed Rent - The net market rental income that would be received as rent if a no-cost or nominal-cost lease were not executed.

Lead Realty Officer (LRO) - The IHS Headquarters designee in the Division of Facilities Operations responsible for carrying out policies and procedures in matters relating to real property management.

No-Cost Lease - A lease where the consideration, i.e., the actual or fair market rental costs is waived Lease may however include costs for related services, such as, operation and maintenance, repair, utilities, or custodial services.

Nominal-Cost Lease - A lease where nominal rent or consideration, such as $1 per annum is unrelated to the actual or fair market value of the lease premises. Lease terms may include costs for related services, such as, operational and maintenance costs, taxes, utilities, custodial services whether furnished by the lessor, the Government or both.

Real Property Lease Inventory (RPLI) - The lease module of the IHS Health Facilities Data System (HFDS), an IHS-wide asset management database and subsidiary ledger. The RPLI “includes” leased space the IHS occupies and leases directly from the Lessor (IHS Direct Leases) or GSA (GSA assigned space).

Subsidiary Ledger - A financial document which provides a detailed record of financial data that supports the general ledger.

Warranted Lease Contracting Officer (WLCO) - The designated IHS personnel with signatory authority to enter into, administer, amend and terminate leasehold interest in real property.

**30-6.3 LAWS AND STANDARDS**

Federal Financial Management Act of 1994 (FFMA). This act requires agency-wide financial statements and a consolidated government-wide financial statement.

The Federal Accounting Standards Advisory Board (FASAB) establishes the standards by which Federal agencies will account for real property assets.

> FASAB #6, Accounting for Property, Plant and Equipment. This standard directs how Federal agencies will track real property assets in its Real Property Inventories. (RPI) and requires the reconciliation of these inventories (subsidiary ledger accounts) with the Agency’s general financial statements.

> FASAB #7, Accounting Standards for Revenue and Other Financing Sources. This standard institutes accounting and accountability process for Federal agencies to determine imputed costs for nominal cost leases.

**30-6.4 REQUIREMENTS**

The calculation of imputed rents is used to report the hypothetical cost savings in the general ledger. Imputed rents are tracked in the RPLI database. Imputed rent reporting is required by FFMA and outlined in FASAB standards. Imputed rents are reported yearly as part of the agency audit.

**30-6.5 RESPONSIBILITIES**

The WLCO updates and reports the imputed rents annually. The WLCO will consult with the LRO to determine the market rate for all imputed rents.

The LRO is responsible for reviewing and ensuring the imputed rents reports and the RPLI database is updated prior to the end of the Fiscal Year.

## 30-6.6 PROCESS

1. In general, the IHS acquires no-cost or nominal-cost space for only:

    a. Health care;
    b. Office; or
    c. Warehouse purposes.

2. Building imputed rents are calculated by multiplying the gross square footage of the building by the present per-square-foot rent value for the predominate use category. If the predominate use of a building is health care, the calculation for the whole building is based on health care cost for the space, even though there may be office or warehouse functions within the building.

3. Land imputed rents are calculated by multiplying the acres of the land by the present per-acre land value. Per-acre land values are determined by the LRO and the WLCO.

4. Area rent values are determined by the LRO at headquarters utilizing regional historical rent values, information from Area, Government agencies, and if needed, market research from State and local entities.

The estimated imputed rents are based solely on the rental rates of the structure and the land. No equipment, furnishings, operating costs or incidentals are included.

**TABLE 1 - EXAMPLE OF IMPUTED RENT CALCULATION**

Imputed rent for a 5,000 square foot outpatient clinic building sitting on 10 acres of land, assuming that the rent value for land in the community is $25 per acre and the rent value for health care space is $14 per square foot (sf), would be calculated as:

Land: 10 acres x $25/acre = $250.

Building: 5,000 sf x $14/sf = $70,000.

Total reported imputed rent: $250 + $70,000 = $70,250.

Therefore: $70,250 is entered into the RPLI database as an imputed rent.