

**Interpretation of the Emerging Accounting Issues Working Group****INT 99-16: EITF 97-11: Accounting for Internal Costs Relating to Real Estate Property Acquisitions****ISSUE NULLIFIED BY SSAP NO. 40****INT 99-16 Date Discussed**

June 7, 1999; October 4, 1999

**INT 99-16 References**

*SSAP No. 40—Real Estate Investments* (SSAP No. 40)

**INT 99-16 Issue**

1. For GAAP purposes, capitalization of costs related to real estate projects are addressed in FASB Statement No. 67, *Accounting for Costs and Initial Rental Operations of Real Estate Projects* (FAS 67). For statutory purposes, FAS 67 was adopted in SSAP No. 40. EITF 97-11, *Accounting for Internal Costs Relating to Real Estate Property Acquisitions* (EITF 97-11), provides guidance for determining when internal preacquisition costs should be capitalized.

**INT 99-16 Discussion**

2. The working group reached a consensus that EITF 97-11 should be adopted to provide that internal preacquisition costs classified as nonoperating at date of acquisition of a property (that otherwise meet the requirements of paragraph 4 of FAS 67) be capitalized and if the entity subsequently determines that the property be classified as operating at the date of acquisition, such costs should be charged to expense and any additional costs be expensed as incurred.

3. Furthermore, internal preacquisition costs classified as operating at the date of acquisition be expensed as incurred but if the entity subsequently determines that the property be classified as nonoperating at the date of acquisition, such costs should not be capitalized and should be charged to expense.

**INT 99-16 Status**

4. No further discussion is planned.