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is reusable in place. The amounts thus charged shall be included in the non-metallic buried cable or metallic buried cable subsidiary record category, as appropriate.

(d) The cost of pipes or other protective covering for underground drop and block wires shall be included in Account 2421, Aerial Cable, or Account 2423, Buried Cable, as appropriate. The amounts thus charged shall be included in the nonmetallic or metallic subsidiary record category, as appropriate.

§ 32.2680 Amortizable tangible assets.

This account shall be used by companies to record amounts for property acquired under finance leases and the original cost of leasehold improvements of the type of character detailed in Accounts 2681 and 2682.

[84 FR 4729, Feb. 19, 2019]

§ 32.2681 Finance leases.

(a) This account shall include all property acquired under a finance lease. A lease qualifies as a finance lease when one or more of the following criteria is met:

(1) By the end of the lease term, ownership of the leased property is transferred to the lessee.

(2) The lease contains a bargain purchase option.

(3) The lease term is substantially (75% or more) equal to the estimated useful life of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(4) At the inception of the lease, the present value of the minimum lease payments, excluding that portion of the payments representing executory costs to be paid by the lessor, including any profit thereon, equals or exceeds 90% or more of the fair value of the leased property. However, if the beginning of the lease term falls within the last 25% of the total estimated economic life of the leased property, including earlier years of use, this criterion shall not be used for purposes of classifying the lease.

(b) All other leases are operating leases.

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(c) The amounts recorded in this account at the inception of a finance lease shall be equal to the original cost, if known, or to the present value not to exceed fair value, at the beginning of the lease term, of minimum lease payments during the lease term, excluding that portion of the payments representing executory costs to be paid by the lessor, together with any profit thereon.

[51 FR 43499, Dec. 2, 1986, as amended at 84 FR 4729, Feb. 19, 2019]

§ 32.2682 Leasehold improvements.

(a) This account shall include the original cost of leasehold improvements made to telecommunications plant held under a finance or operating lease, which are subject to amortization treatment. This account shall also include those improvements which will revert to the lessor.

(b) Improvements to leased telecommunications plant which are of a relatively minor cost or short life or for which the period of the lease is one year or less shall be charged to the account chargeable with the cost of repairs to such plant.

(c) Amounts contained in this account shall be amortized over the term of the related lease.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5687, Feb. 6, 2002; 69 FR 53649, Sept. 2, 2004; 82 FR 20841, May 4, 2017; 84 FR 4730, Feb. 19, 2019]

§ 32.2690 Intangibles.

(a) This account shall include the cost of organizing and incorporating the company, the original cost of government franchises, the original cost of patent rights, and other intangible property having a life of more than one year and used in connection with the company's telecommunications operations.

(b) [Reserved]

(c) The cost of other intangible assets, not including software, having a life of one year or less shall be charged directly to Account 6564, Amortization expense—intangible. Such intangibles acquired at small cost may also be charged to Account 6564, irrespective of their term of life. The cost of software having a life of one year or less shall be

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charged directly to the applicable expense account with which the software is associated.

(d) The amortization associated with the costs recorded in the Intangibles account will be credited directly to this asset account, leaving a balance representing the unamortized cost.

(e) This account shall not include any discounts on securities issued, nor shall it include costs incident to negotiating loans, selling bonds or other evidences of debt, or expenses in connection with the authorization, issuance, sale or resale of capital stock.

(f) When charges are made to this account for expenses incurred in mergers, consolidations, or reorganizations, amounts previously included in this account on the books of the various companies concerned shall not be carried over.

(g) Franchise taxes payable annually or more frequently shall be charged to Account 7240, Operating other taxes.

(h) This account shall not include the cost of plant, material and supplies, or equipment furnished to municipalities or other governmental authorities when given other than as initial consideration for franchises or similar rights. (Note also Account 6720, General & administrative).

(i) This account shall not include the original cost of easements, rights of way, and similar rights in land having a term of more than one year. Such amounts shall be recorded in Account 2111, Land, or in the appropriate outside plant account (see Accounts 2411 through 2441), or in the appropriate central office account (see Accounts 2211 through 2232).

[67 FR 5687, Feb. 6, 2002, as amended at 69 FR 53649, Sept. 2, 2004; 82 FR 20841, May 4, 2017]

§ 32.3000 Instructions for balance sheet accounts—depreciation and amortization.

(a) *Depreciation and amortization subsidiary records.* (1) Subsidiary record categories shall be maintained for each class of depreciable telecommunications plant in Account 3100 for which there is a prescribed depreciation rate. (See also § 32.2000(g)(1)(iii).)

(2) Subsidiary records shall be maintained for Accounts 2005, 2682, 2690, 3400 in accordance with § 32.2000(h)(4).

(b) *Depreciation and amortization accounts to be maintained by telephone companies, as indicated.*

Account title	
Depreciation and amortization:	
Accumulated depreciation	3100
Accumulated depreciation—Held for future telecommunications use.	3200
Accumulated depreciation—Nonoperating ...	3300
Accumulated depreciation—Tangible	3400

[82 FR 20841, May 4, 2017]

§ 32.3100 Accumulated depreciation.

(a) This account shall include the accumulated depreciation associated with the investment contained in Account 2001, Telecommunications Plant in Service.

(b) This account shall be credited with depreciation amounts concurrently charged to Account 6561, Depreciation expense—telecommunications plant in service. (Note also Account 3300, Accumulated depreciation—nonoperating.)

(c) At the time of retirement of depreciable operating telecommunications plant, this account shall be charged with the original cost of the property retired plus the cost of removal and credited with the salvage value and any insurance proceeds recovered.

(d) This account shall be credited with amounts charged to Account 1438, Deferred maintenance, retirements, and other deferred charges, as provided in § 32.2000(g)(4) of this subpart. This account shall be credited with amounts charged to Account 6561 with respect to other than relatively minor losses in service values suffered through terminations of service when charges for such terminations are made to recover the losses.

[51 FR 43499, Dec. 2, 1986, as amended at 67 FR 5687, Feb. 6, 2002; 69 FR 53649, Sept. 2, 2004]

§ 32.3200 Accumulated depreciation—held for future telecommunications use.

(a) This account shall include the accumulated depreciation associated