

## CHAPTER 14

**★TRANSFERRING, DISPOSING, AND LEASING OF  
REAL PROPERTY AND PERSONAL PROPERTY**1401 OVERVIEW

★ 140101. Purpose. This chapter provides financial procedures for the disposal, transfer or leasing out of real and personal property. The disposition of proceeds from the sale of surplus personal property is covered by [Chapter 5](#) of [Volume 11A](#).

★ 140102. General. Section 485 of Title 40, United States Code, and sections 2667 and 2667a of Title 10, United States Code, each require that a special fund be established for the deposit of proceeds received from the transfer or lease of real and personal property under the control of a Military Department (other than property at a military installation designated for closure or realignment) and from the lease of personal property under the control of a Defense Agency.

1402 POLICY AND PROCEDURES140201. General.

★ A. Real property, and improvements thereon, under the control of a Military Department (other than property at a military installation designated for closure or realignment) that are determined by the Secretary concerned to be excess to the needs of that Military Department shall be made available for transfer without reimbursement to other Military Departments. If the property is not so transferred, the Secretary of Defense (SECDEF) shall request the Administrator of the General Services Administration (GSA) to transfer or dispose of such property in accordance with applicable laws. Any proceeds generated from such transfer or disposal shall be deposited into a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Military Department by the Under Secretary of Defense (Comptroller) (USD(C)) consistent with applicable appropriations acts.

★ B. Section 2667 of Title 10, United States Code, allows the Secretary of a Military Department to lease nonexcess real and personal property under its control that is not needed for a public use for the time that it is leased. All fees received from such leases (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Military Department by the USD(C) consistent with applicable appropriations acts.

★ C. Section 2667a of Title 10, United States Code, allows the SECDEF to lease nonexcess personal property under the control of a Defense Agency that is not needed for a public use for the time that it is leased. All fees received from such leases shall be deposited into

a special fund Treasury receipt account. Funds deposited into the special fund Treasury receipt account will be distributed to the Defense Agency by the USD(C) consistent with applicable appropriations acts.

★ 140202. Special Fund Requirements. The special fund is to be established and operated under the provisions of [Chapter 1](#) of this Volume. The special funds designated by the Treasury for use in connection with section 485 of Title 40, United States Code, and sections 2667 and 2667a of Title 10, United States Code, are account 5188, “Disposal of DoD Real Property,” and account 5189, “Lease of DoD Real Property” have been established as no year accounts.

140203. Special Fund Purposes.

★ A. Section 485 of Title 40, United States Code. Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under section 485 of Title 40, United States Code, shall be deposited into special fund Treasury receipt account 5188 (.017, .021 or .057 for Navy, Army and Air Force, respectively) “Disposal of DoD Real Property.” See paragraph 140205, below, for the appropriate accounting treatment.

★ B. Section 2667 of Title 10, United States Code. Funds received from leases entered into pursuant to section 2667 of Title 10, United States Code, shall be deposited into the special fund Treasury receipt account 5189 (.017, .021 or .057 for Navy, Army and Air Force, respectively) “Lease of DoD Real Property.” See paragraph 140206.A for the appropriate accounting treatment.

★ C. Section 2667a of Title 10. Funds received from leases of personal property pursuant to section 2667a of Title 10, United States Code, shall be deposited into the special fund Treasury receipt account 5189 (subaccount .097), “Lease of DoD Real Property.” See paragraph 140206.B for the appropriate accounting treatment.

★ D. Funds deposited in account 5188 and 5189 shall be available to the Military Department concerned for expenditures, to the extent provided for in appropriation acts, as follows:

1. Fifty percent of the funds deposited shall be available for facility maintenance and repair or environmental restoration at the military installation where the property is located, and

2. Fifty percent of the funds deposited shall be available for facility maintenance and repair and environmental restoration by the Military Department concerned.

★ E. Funds deposited in account 5189.097, “Lease of DoD Real Property,” for the lease of Defense Agency personal property, shall be available to the Defense Agency concerned, to the extent provided in appropriations acts, for the maintenance, repair, restoration, or replacement of the leased property.

140204. Reporting Requirements.

★ A. Section 485 of Title 40, United States Code. As part of the annual request for authorization of appropriations by the Armed Services Committee of the Senate and National Security Committee of the House of Representatives, the Department shall include an accounting of each transfer and disposal of real property made during the fiscal year preceding the fiscal year in which the request is made. This summary shall include a detailed explanation of such disposal and the use of the proceeds received.

★ B. Section 2667 of Title 10, United States Code. As part of the request for authorization of appropriations for fiscal years after 1992, the lessor shall provide the following reports:

1. An accounting of all funds received and the use of all money rentals that were deposited and expended during the fiscal year preceding the fiscal year in which the request is made, and

2. A detailed explanation of each lease entered into, and each amendment made to existing leases during the preceding year.

★ C. Section 2667a of Title 10, United States Code. No later than 45 days prior to entering into a lease of personal property for a term that exceeds 1 year and the fair market value of which exceeds \$100,000, the Department shall submit to Congress a written notice describing the terms of the proposed lease and the competitive procedures used to select the lessee.

★ D. The Secretaries of the Military Departments shall submit the data required by subparagraphs A., B.1 and B.2 above, as part of their annual requests for appropriations.

140205. Accounting Procedures.A. Transfers of Department of Defense (DoD) Real Property.

★ 1. If a Military Department determines that real property and improvements thereon, under its control (other than property at a military installation designated for closure or realignment), are excess to its needs and are available for transfer to another Military Department, such transfers will be on a nonreimbursable basis.

★ 2. Real property under the control of a Military Department that is transferred to another Military Department requires accounting entries at the losing activity and corresponding entries at the gaining activity. The accounting entries shall include the acquisition cost of the real property, the cost of any improvements and accumulated depreciation. If the acquisition cost of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

★ 3. Accounting Entries. Table 14-1 shows the most common entries used for transferring assets. For illustrative purposes, it is assumed that the Army transfers an asset to the Navy.

B. Disposal of Real Property.

★ 1. If real property is not transferred to another Military Department, the SECDEF shall request that the GSA Administrator dispose of such real property in accordance with the provisions of applicable laws. Table 14-2 illustrates the most common accounting entries used to record the removal of real property and improvements from the accounting records when the real property and improvements are to be transferred to the GSA.

2. Any consideration (money), when received, shall be deposited directly into the special fund Treasury receipt account. The explanation for this transaction is as follows:

★ To record the disposition of real property located at (Full Description). Monies received were deposited into the special fund account 5188.xxx "Disposal of DoD Real Property" under cash voucher #\_\_\_\_\_ in accordance with section 485 of Title 40, United States Code.

3. Funds generated prior to the issuance of this chapter, should have been deposited into "F3875 Budget Clearing Account (Suspense)." Such funds shall be transferred to the applicable special fund Treasury receipt account prior to the end of fiscal year 2000. A no-check SF 1080 may be used to transfer money from F3875 to the special fund receipt account.

**ACCOUNTING ENTRIES FOR TRANSFERRING ASSETS****1. Army Entry (Transfer Out)**

Dr 1739 - Accumulated Depreciation on Buildings

Dr 1749 - Accumulated Depreciation on Other Structures  
and FacilitiesDr 1829 - Accumulated Amortization on Leasehold  
ImprovementsDr 5730 - Transfers-Out to Government Agencies Without  
Reimbursement

Cr 1711 - Land

Cr 1730 - Buildings

Cr 1740 - Other Structures and Facilities

Cr 1820 - Leasehold Improvements

To record the transfer of an asset from the Army to the  
Navy.**2. Navy Entry (Transfer In)**

Dr 1711 - Land

Dr 1730 - Buildings

Dr 1740 - Other Structures and Facilities

Dr 1820 - Leasehold Improvements

Cr 1739 - Accumulated Depreciation on Buildings

Cr 1749 - Accumulated Depreciation on Other Structures  
And FacilitiesCr 1829 - Accumulated amortization on leasehold  
ImprovementsCr 5720 - Transfers-In from Others Without  
ReimbursementTo record the receipt of an asset from the Army on a nonreimbursable  
basis.**Table 14-1**

140206. Leasing Out DoD Assets.

★ A. Funds received from the lease of real and personal property under section 2667 of Title 10, United States Code, (other than from leases of property at a military installation designated for closure or realignment) shall be deposited into the special fund Treasury receipt account, except for amounts paid for utilities and services furnished lessees. Payments for utilities and services furnished lessees pursuant to leases shall be treated as a normal reimbursable transaction with funds credited to the appropriation account from which the cost of furnishing the utilities and services was paid. Funds deposited shall be available to the Military Department concerned for expenditures, to the extent provided for in appropriation acts, as follows:

1. Fifty percent of the funds deposited shall be available for facility maintenance and repair or environmental restoration at the military installation where the property is located, and

2. Fifty percent of such amount shall be available for facility maintenance and repair and for environmental restoration by the Military Department concerned.

★ B. Funds received from the lease of personal property under the control of a Defense Agency, pursuant to section 2667a of Title 10, United States Code, shall be deposited into the special fund Treasury receipt account. Funds deposited shall be available to the Defense Agency concerned, to the extent provided in appropriation acts, for the maintenance, repair, restoration, or replacement of the leased property.

★ 140207. Acceptance of Funds to Cover Administrative Expenses.

★ A. In connection with a real property transaction with a nonfederal person or entity, Section 2695 of Title 10, United States Code, states: "...the Secretary of a Military Department may accept amounts provided by the person or entity to cover administrative expenses incurred by the Secretary in entering into the transaction." Acceptance of funds applies to the following transactions:

★ 1. The exchange of real property;

★ 2. The grant of an easement over, in or upon real property of the United States; or

★ 3. The lease or license of real property of the United States.

★ B. Amounts collected under Section 2695 of Title 10, United States Code, for administrative expenses shall be credited to the appropriation, fund or account from which the expenses were paid. Amounts so credited shall be merged with funds of an identical appropriation, fund or account and shall be available for the same purposes and subject to the same limitations as the funds in the afore-mentioned identical account.

**ACCOUNTING ENTRIES FOR REMOVING ASSETS FROM ACCOUNTING RECORDS**

Dr 1739 - Accumulated Depreciation on Buildings  
Dr 1749 - Accumulated Depreciation on Other Structures  
          and Facilities  
Dr 1829 - Accumulated amortization on leasehold  
          Improvements  
Dr 5730 - Transfers-Out to Government Agencies Without  
          Reimbursement  
      Cr 1711 - Land  
      Cr 1730 - Buildings  
      Cr 1740 - Other Structures and Facilities  
      Cr 1820 - Leasehold Improvements

To record the disposal of assets.

**Table 14-2**