

VOLUME 12, CHAPTER 14: “TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY”

SUMMARY OF MAJOR CHANGES

All changes are denoted by [blue font](#).

Substantive revisions are denoted by a * preceding the section, paragraph, table, or figure that includes the revision.

Unless otherwise noted, chapters referenced are contained in this volume.

Hyperlinks are denoted by [bold, italic, blue and underlined font](#).

The previous version dated October 1999 is archived.

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
Table of Contents	Added Table Of Contents.	Update
Multiple	Revised and reformatted for clarity and readability. Removed redundant paragraphs. Added hyperlinks. Updated references to U.S. Code sections.	Update
Multiple	Revised to reflect revision of 10 U.S.C §2667 by the FY 2008 and FY 2009 Defense Authorization acts and other legislation.	Update
140103	Added Scope section for clarity.	Clarify
140201.C	Added guidance for easements from 10 U.S.C 2668.	Add
140201.D	Added guidance related to the authority to convey surplus real property for natural resource conservation per 10 U.S.C. 2694a.	Add
140201.E and throughout	Revised to reflect repeal of 10 U.S.C §2667a and incorporation of those provisions into 10 U.S.C. §2667. As a result, §2667 now applies to leases of property by Defense Agencies as well as by Military Services.	Update
140202 - Table 14-1	Added table of Special Fund Treasury Fund Symbols for clarity.	Clarify
140204.B to 140204.F	Added and clarified reporting and notification requirements.	Add / Update
140204.B (prior version)	Paragraph deleted. The §2667 requirement to report annually to Congress regarding leases and the use of lease proceeds was repealed by §1041(a)(18) of the FY2003 Defense Authorization act (Public Law 107-314).	Delete
140205.A.3 and A.4	Revised and updated accounting and documentation guidance for transfers.	Add / Update

PARAGRAPH	EXPLANATION OF CHANGE/REVISION	PURPOSE
140205.A.3 140205.B.4 140205.C.7 140206.C.2 140207.C	Updated reference from United States Standard General Ledger (USSGL) Treasury Financial Manual to USSGL Standard Financial Information Structure (SFIS) Transaction Library.	Update
140205.B.3 and B.4	Clarified guidance on use of proceeds and updated accounting guidance.	Update
140205.B.3 (prior version)	Deleted obsolete guidance related to the use of F33875, Budget Clearing Account (Suspense).	Delete
140205.C.3 to C.7	Corrected guidance for use of proceeds from leases. Added additional accounting guidance.	Correct / Add
140206	Added guidance for receiving, reporting and accounting for in-kind consideration for leases.	Add
140207.A.4 and A.5	Updated to reflect revision to 10 U.S.C. §2695.	Update
140207.C	Added accounting guidance.	Add
Table 14-1 Table 14-2 (prior version)	Deleted display of accounting entries and provided a link to the USSGL SFIS Transaction Library in related subparagraphs, the authoritative source for accounting entries.	Delete

Table of Contents

VOLUME 12, CHAPTER 14: TRANSFERRING, DISPOSING, AND LEASING OF REAL PROPERTY AND PERSONAL PROPERTY 1

1401 OVERVIEW..... 4

140101. Purpose..... 4

140102. Authorities..... 4

*140103. Scope 4

1402 POLICY AND PROCEDURES..... 5

140201. General 5

140202. Special Fund Requirements..... 7

*Table 14-1. Special Funds Designated..... 7

140203. Special Fund Purposes 7

140204. Reporting and Notification Requirements..... 7

140205. Accounting Procedures 8

*140206. In-Kind Consideration - Leases..... 11

*Table 14-2. Accounting For Leases with In-Kind Consideration 13

140207. Acceptance of Funds to Cover Administrative Expenses 13

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, and leasing of real property, and the transfer and lease of personal property. Financial procedures for the disposal of personal property are addressed in Volume 11A, Chapter 5.

140102. Authorities

[Title 40, United States Code \(U.S.C.\) §572\(b\)](#), “Proceeds from Sale or Transfer: Real Property,” governs the proceeds from the disposal of real property under the control of a military department. [Title 10, U.S.C. §2667](#), “Leases: non-excess property of military departments and Defense Agencies,” governs leases of Department of Defense (DoD) real and personal property. These sections require that a special fund be established for the deposit of proceeds received from the transfer or lease of real and personal. Proceeds from the lease of property at a military installation designated for closure or realignment shall be deposited in accordance with [Title 10, U.S.C. §2687](#), “Base closures and realignments.”

*140103. Scope

Unless otherwise stated, the provisions of this chapter do not apply to:

A. The disposition of proceeds from the sale of surplus personal property. (See Volume 11A, Chapter 5.)

B. Property at a military installation designated for closure or realignment under [Title 10, U.S.C. §2687](#). (See Volume 12, Chapter 13.)

C. Damaged or deteriorated military family housing (see [Title 10, U.S.C. §2854a](#), “Conveyance of damaged or deteriorated military family housing; use of proceeds”).

D. The lease of defense articles in the stocks of DoD to an eligible foreign country or international organization under [Title 22, U.S.C. §2796](#).

E. Transfer of defense articles to Iraq under the National Defense Authorization Act for Fiscal Year 2008 ([Public Law 110-181](#)), section 1228.

F. Proceeds from the disposal of property received as gifts under [Title 10, U.S.C. §2601](#). (See Volume 12, Chapter 30.)

1402 POLICY AND PROCEDURES

140201. General

A. [Title 40, U.S.C. §572\(b\)](#). Real property and related improvements 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 of the Military Department to be excess to the needs of that Department shall be made available for transfer without reimbursement to other Military Departments. If the property is not transferred to another Military Department, the Secretary of the Military Department 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 transfer or disposal will 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(s) by the Under Secretary of Defense (Comptroller) (USD(C)) consistent with applicable appropriation law.

* B. [Title 10, U.S.C. §2667](#) 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. This section provides the same authority to the Secretary of Defense (SECDEF) with respect to property under the control of a Defense Agency.

1. Throughout this chapter, the term “Secretary concerned” will mean the Secretary of a military department, with respect to matters concerning that military department; and the SECDEF, with respect to matters concerning the Defense Agencies.

2. 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.

3. Funds deposited into the special fund Treasury receipt account will be distributed to the Secretary concerned by the USD(C) consistent with applicable appropriations law. See paragraph 140205.C.

4. This section does not apply to oil, mineral, or phosphate lands.

* C. [Title 10, U.S.C. §2668](#) allows the Secretary of a military department to grant easements for rights-of-way over, in, and upon public lands under the Secretary’s control. This authority is available provided the Secretary of that military department finds that the easement will not be against the public interest.

1. The easement may be made upon such terms as the Secretary considers advisable. The authorized purposes of the easement are listed at paragraph Title 10, U.S.C. §2668,a.

2. Proceeds and in-kind consideration received from the granting of easements will be accounted for in the manner specified for leases of DoD property in [Title 10, U.S.C. §2667](#). See paragraphs 140203.B and 140205.C.

* D. [Title 10, U.S.C. §2694a](#) allows the Secretary of a Military Department to convey certain surplus real property for purposes of natural resource conservation.

1. Surplus property that may be conveyed under this authority is limited to property that:

a. Is under the administrative control of the Secretary;

b. Is suitable and desirable for conservation purposes;

c. Has been made available for public benefit transfer for a sufficient period of time to potential claimants; and

d. Is not subject to a pending request for transfer to another Federal agency or for conveyance to any other qualified recipient for public benefit transfer under the real property disposal processes and authorities in [Title 40, U.S.C. § 550](#), “Federal Property and Administrative Services.”

2. Entities eligible to receive surplus property for purposes of natural resource conservation are limited to states, political subdivisions of a state; and nonprofit organizations that exist for the primary purpose of conservation of natural resources on real property.

* E. [Repeal of Title 10, U.S.C. §2667a](#). The Duncan Hunter National Defense Authorization Act for Fiscal Year 2009 repealed §2667a of Title 10, “Leases: non-excess property of Defense agencies” (see [Public Law 110-417](#), section 2812). This authority is now incorporated into [Title 10, U.S.C. §2667](#), as revised, and that section now covers leases by both military services and Defense Agencies. In addition:

1. The repeal of section 2667a does not affect the validity or terms of any lease with respect to property of a Defense Agency entered into by the Secretary of Defense under section 2667a.

2. Amounts deposited in a special account established for a Defense Agency pursuant section 2667a before repeal and amounts that would be deposited in connection with outstanding leases:

a. Remain available until expended for the purposes specified in §2667a, specifically, solely for the maintenance, repair, restoration, or replacement of the leased property; or

b. To the extent provided by appropriations law, may be transferred to the special account described in paragraphs 140203.B and 140205.C.

140202. Special Fund Requirements

The special funds are to be established and operated under the provisions of Volume 12, Chapter 1. The special funds designated by the Treasury for use in connection with [40 U.S.C. §572](#) and [10 U.S.C. §2667](#), are Treasury Fund Symbols 5188, “Disposal of DoD Real Property,” and 5189, “Lease of DoD Real Property.” These Federal account symbols have been established as no year accounts. These Funds and applicable point accounts are listed in Table 14-1.

*Table 14-1. Special Funds Designated

Special Funds Designated for the Proceeds of Sale and Lease of DoD Property	
Treasury Fund Symbol	Description
5188.017	Disposal of Department of Defense Real Property for Navy
5188.021	Disposal of Department of Defense Real Property for Army
5188.057	Disposal of Department of Defense Real Property for Air Force
5188.097	Disposal of Department of Defense Real Property for Defense Agencies
5189.017	Lease of Department of Defense Real Property for Navy
5189.021	Lease of Department of Defense Real Property for Army
5189.057	Lease of Department of Defense Real Property for Air Force
5189.097	Lease of Department of Defense Real Property for Defense Agencies

140203. Special Fund Purposes

A. [Title 40, U.S.C. §572](#). Any net proceeds (gross proceeds less expenses of transferring or disposing of the property) received from the transfer or disposal of real property under [Title 40, U.S.C. §572](#) shall be deposited into special fund Treasury receipt account 5188, “Disposal of DoD Real Property,” with point accounts as listed in Table 14-1. See paragraph 140205.B for the appropriate accounting treatment.

B. [Title 10, U.S.C. §2667\(e\)\(1\)](#). Funds received from leases of real property entered into pursuant to [Title 10, U.S.C. §2667](#) shall be deposited into the special fund Treasury receipt account 5189, “Lease of DoD Real Property,” with point accounts as listed in Table 14-1. Funds received from leases of personal property shall also be deposited into the special fund Treasury receipt account 5189, “Lease of DoD Real Property.” See paragraph 140205.C for the appropriate accounting treatment.

140204. Reporting and Notification Requirements

A. [Title 40, U.S.C. §572\(b\)\(6\)](#). 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 proceeding 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. [Title 10, U.S.C. §2667\(c\)](#) includes specific reporting requirements for leases in which the in-kind consideration is received for all or part of the value of the lease. These reporting requirements are discussed in detail in paragraph 140206.B.

* C. [Title 10, U.S.C. §2667\(e\)](#). For amounts deposited in Treasury Fund Symbol 5189 as described in paragraph 140205.C, the Secretary concerned may not expend an amount in excess of \$500,000 at a single installation until 30 days after the date on which a report on the facts of the proposed expenditure is submitted to the congressional defense committees.

* D. [Title 10, U.S.C. §2667\(h\)](#). When a proposed lease involves only personal property, the lease term exceeds one year, and the fair market value of the lease consideration exceeds \$100,000:

1. Not later than 45 days before entering into the lease, the Secretary concerned shall submit to Congress written notice describing the terms of the proposed lease and the competitive procedures used to select the lessee.

2. The reporting requirement described in this paragraph does not apply to renewal or extension of a certain leases by the Secretary of the Navy for operation of a ship within the University National Oceanographic Laboratory System. See Title 10, U.S.C. §2667(h)(3) for the specific terms of this exception.

* E. [Title 10, U.S.C. §2667\(h\)](#). If a proposed lease involves a project related to energy production and the term of the lease exceeds 20 years, the Secretary concerned may not enter into the lease until at least 30 days after the date on which the Secretary of Defense submits to the congressional defense committees a certification that the project is consistent with the DoD performance goals and plan.

* F. [Title 10, U.S.C. §2668](#). Copies of instruments granting easements over public lands shall be furnished to the Secretary of the Interior.

140205. Accounting Procedures

A. [Transfers of DoD Real Property](#)

1. If a Military Department determines that real property and related improvements 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, the transfers will be made on a nonreimbursable basis.

2. Both the losing and gaining Military Departments will recognize the transfer of real property in the accounting records. The value of the transfer is the net book value of the assets (acquisition cost of the real property plus the cost of capitalized improvements less accumulated depreciation). If the net book value of the property is not known or cannot be determined, the fair market value at the time of the transfer may be used. The same amount of the transfer must be used by both parties. Detailed explanations for property and fiscal accountability are required as supporting footnotes to the accounting entries.

* 3. Accounting Entries. The accounting entries for transfers between DoD components without reimbursement are standard transactions E510 and E606 specified in the United States Standard General Ledger (USSGL) Standard Financial Information Structure (SFIS) Transaction Library.

* 4. The document “Transfer and Acceptance of Military Real Property” (DD Form 1354) is used to document the transfer of real property between DoD components. See Volume 4, Chapter 6, paragraph 060105.A.2.b.

B. Disposal of DoD Real Property

1. Sale by GSA. 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. See DoD Instruction 4165.72, “Real Property Disposal.”

2. Deposit of Proceeds. Any consideration (money) received shall be deposited directly into the special fund Treasury receipt account 5188 with the point account specified in Table 14-1. The explanation for this transaction is as follows:

To record the disposition of real property located at (include a full description and the Real Property Universal Identification (RPUID) number). Monies received were deposited into the special fund account 5188.xxx, “Disposal of DoD Real Property,” under cash voucher # _____ in accordance with 40 U.S.C. §572.

* 3. Availability of amount deposited. To the extent provided in an appropriation act, an amount deposited in a special account from the disposal of property is available for facility maintenance and repair or environmental restoration as follows:

a. In the case of property located at a military installation that is closed, the amount is available for facility maintenance and repair or environmental restoration by the Military Department that had jurisdiction over the property before the closure of the military installation.

b. In the case of property located at any other military installation:

(1) Fifty percent of the amount is available for facility maintenance and repair or environmental restoration at the military installation where the property was located before it was disposed of or transferred; and

(2) Fifty percent of the amount is available for facility maintenance and repair and for environmental restoration by the Military Department that had jurisdiction over the property before it was disposed of or transferred.

* 4. Accounting Entries. The accounting entries for disposal of real property are specified in the USSGL SFIS Transaction Library, primarily in Category C, “Collections and Receivables” and Category D, “Adjustments, Writeoffs and Reclassifications.”

C. Leases of DoD Real and Personal Property

1. Deposit of Funds. Funds received from the lease or easement of real and personal property under Title 10, U.S.C. §2667 and Title 10, U.S.C. §2668 (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, net of amounts paid for utilities and services furnished to lessees.

2. Services Furnished to 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.

* 3. Designated Purposes. Funds deposited in account 5189 shall be available to the Secretary concerned for expenditure to the extent provided for in appropriation acts, for the following:

a. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities.

b. Construction or acquisition of new facilities.

c. Lease of facilities.

d. Facilities operation support.

* 4. Use of Proceeds

a. At least 50 percent of the funds deposited shall be available for the designated purposes at the military installation or Defense Agency location where the property is located.

b. The remainder of the funds deposited shall be available to the Secretary concerned for the designated purposes.

* 5. Agricultural and Grazing. Money rentals received related to a lease for agricultural or grazing purposes may be retained and spent by the Secretary concerned to cover the administrative expenses of agricultural or grazing leases and to cover the financing of multiple-land use management programs at any installation under the jurisdiction of the Secretary. This provision does not apply to lands acquired by the United States for flood control or navigation purposes or any related purpose, including the development of hydroelectric power.

* 6. Leases under Title 10, U.S.C. §2667a. The provisions of this paragraph apply to the proceeds leases of Defense Agency property under Title 10, U.S.C. §2667a (repealed October 2008) only to the extent provided by appropriation law. Otherwise, such proceeds may be used only for costs related to the leased property. See paragraph 140201.E.

* 7. Accounting Entries. The value of lease payments received and payments for services provided will be recognized as revenue. The accounting entries for the recognition of revenue are specified in the USSGL SFIS Transaction Library, primarily in Category C, "Collections and Receivables."

* D. Appropriation Authority. Per section 8034 of the fiscal year 2005 DoD appropriations act, Public Law 108-287, amounts deposited in special accounts established pursuant to Title 40, U.S.C. §572 and Title 10, U.S.C. §2667 during the fiscal year 2005 and in subsequent years remain available until transferred by the Secretary of Defense to current applicable appropriations, at which point they are available for the same time period and the same purposes as the appropriation to which transferred.

*140206. In-Kind Consideration - Leases

A. Acceptance of In-kind Consideration

1. As payment of part or all of the consideration for the lease, the terms of the lease may provide for the alteration, repair, or improvement, by the lessee, of the property leased.

2. In-kind consideration may also be accepted with respect to a lease as follows:

a. Maintenance, protection, alteration, repair, improvement, or restoration (including environmental restoration) of property or facilities under the control of the Secretary concerned.

b. Construction of new facilities for the Secretary concerned.

c. Provision of facilities for use by the Secretary concerned.

d. Provision or payment of utility services for the Secretary concerned.

e. Provision of real property maintenance services for the Secretary concerned.

f. Provision of such other services relating to activities that will occur on the leased property as the Secretary concerned considers appropriate.

B. Reports to Congressional Committees

1. If the in-kind consideration for all or part of the lease is in excess of \$500,000, the Secretary concerned may not enter into the lease until 30 days after the date on which a report on the facts of the lease is submitted to the congressional defense committees.

2. If the lease includes in-kind consideration and the total value of the lease is in excess of \$750,000:

a. At least 30 days before issuing a contract solicitation or other lease offering, the Secretary concerned shall submit a report to the congressional defense committees. The report will contain a description of the proposed lease and other information described in Title 10, U.S.C. §2667(c)(4)(A) (see Public Law 110-417, section 2812(c)).

b. At least 30 days prior to entering into the lease, the Secretary concerned will submit a second report to the congressional defense committees. This report will update the initial report and contain other information described in Title 10, U.S.C. §2667(c)(4)(B) (see Public Law 110-417, section 2812(c))

C. Accounting for In-kind Consideration

1. Revenue is recognized from exchange transactions when goods or services are provided to the public or another Government entity at a price.

2. Accounting Entries. The accounting entries for in-kind revenue earned are not yet defined in the USSGL SFIS Transaction Library. The USSGL SFIS Transaction Library acknowledges that there are valid accounting events/postings not yet documented. To recognize revenue earned and capitalized assets received, the accounts detailed in Table 14-2 should be used:

*Table 14-2. Accounting For Leases with In-Kind Consideration

Entry	Account	Account Description	Comments
Debit	1010	Fund Balance with Treasury	For cash received from lessee
Debit	1310	Accounts Receivable	For lease payments due from lessee
Debit	1xxx	Appropriate asset account(s)	For capitalized assets received from or constructed by lessee
Debit	6790	Other Expenses Not Requiring Budgetary Resources	For in-kind services and non-capitalizable assets received from lessee
Credit	5200	Revenue From Services Provided	For the full value services provided

140207. Acceptance of Funds to Cover Administrative Expenses

A. In connection with real property transactions with nonfederal persons or entities, [Title 10 U.S.C. §2695](#), 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;
3. The lease or license of real property of the United States;
- * 4. The disposal of real property of the United States for which the Secretary will be the disposal agent; or
- * 5. The conveyance of real property under [10 U.S.C. §2694a](#).

B. Amounts collected for administrative expenses shall be credited to the appropriation, fund or account from which the expenses were paid. The amounts 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 these funds.

* C. [Accounting Entries](#). Funds received to cover administrative expenses will be recognized as revenue. Standard accounting entries are specified in the [USSGL SFIS Transaction Library](#).