

New Leasing Accounting Rules May Impact Jones Act Vessel Financing

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Because of strict U.S. citizenship requirements, the financing of Jones Act-qualified U.S.-flag vessels has its own peculiarities, including how charters are treated. New lease accounting rules finalized in February 2016 and fully effective in 2019/2020 have the potential to alter when charters of vessels to non-citizens will be permitted. In particular, any company that has employed a long-term time charter in connection with vessel financing should carefully consider the impact of those rules.

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