

Frequently Asked Questions

Accounting Treatment for Forgiven Loans

The Inflation Reduction Act (IRA) provided the Rural Utilities Service (RUS) with a new renewable energy program, the Powering Affordable Clean Energy (PACE) program under IRA Section 22001. PACE provides for a portion of the loan to be forgiven, provided the Awardee meets the requirements and criteria identified in the Notice of Funding Opportunity (NOFO), published in the Federal Register at [88 Fed. Reg. 31232](#) (May 16, 2023). In the event the Awardee does not meet the contractual obligations contained in the loan agreement, RUS retains the right to seek repayment on the forgiven portion of the debt.

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Are there new definitions? Yes, there are several.

Awardee is the recipient of a RUS loan or grant.

Amortization of Gain on Extinguished RUS Long Term (LT) Debt provides for the monthly recognition of the gains realized from extinguishment of RUS LT debt over the life of the related loan.

Partially Forgivable Loan is a RUS loan that if specific conditions are met and if approved by RUS, a portion of the loan could be forgiven, as described in the loan agreement.

Unamortized Gain on Extinguished RUS LT Debt provides for the capture of the amount of extinguished RUS long-term debt as applicable for partially forgiven loans that will be amortized over the life of the related loan.

What is the accounting treatment?

Awardees receiving a partially forgivable loan, regardless of their entity type, shall employ the accounting treatment for *reacquisition of debt, without refunding* for regulated utilities at [7 CFR 1767.15\(q\)\(2\)](#). While the current RUS policy does not specifically mention the term “debt forgiveness”, this accounting treatment covers this situation and is also consistent with current Federal Energy Regulatory Commission (FERC) guidance at [18 CFR 101.17\(B\)](#), and the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) [980-470-40-1](#). This information will be included in the next revision to 7 CFR 1767.

The extinguished or forgiven amount of the loan shall be recorded separately in the Awardee’s records as an unamortized gain which will be amortized over the life of the related loan. The extinguished or forgiven portion of these loans and the amortization of the extinguished or forgiven portion shall be recorded in specific accounts noted below, separate from other RUS loans or any other financing. The segregation of the extinguished or forgiven debt and subsequent amortization will enable accurate identification of any unamortized amount that could become a liability should the Awardee fail to meet the forgiveness criteria before the full amortization or full repayment of the associated RUS loan.

Application of this accounting treatment by non-regulated entities or nonprofit entities is appropriate as the nature of the loan is typical for regulated utilities and is consistent with the intent of regulated utilities in stabilizing the rate structure.

What are the new accounts?

The following subaccounts, specifically designated for partially forgiven loans, as defined below, shall be used:

a. 257.1, Unamortized Gain on Extinguished RUS LT Debt

This account shall include the unamortized gain on the extinguished or forgiven amount of RUS LT debt for construction and or installation loans once all conditions have been met and extinguishment (forgiveness) has been approved. The amortization of the amounts in this account shall be made by credits to Account 429.2, Amortization of Gains on Extinguished RUS LT Debt-Credit.

b. 429.2, Amortization of Gain on Extinguished RUS LT Debt—Credit

1. This account shall include the amortization of the gains realized from extinguishment of RUS LT debt. Amounts credited to this account shall be charged concurrently to Account 257.1, Unamortized Gain on Extinguished RUS LT Debt.
2. This account shall be maintained to allow identification of the amortized gains applicable to RUS long-term debt extinguished or forgiven.

NOTE: Awardees not currently subject to [7 CFR 1767](#) or not using the RUS Uniform System of Accounts may utilize account numbers from their specific Chart of Accounts that adequately segregate the extinguished or forgiven RUS LT debt and subsequent amortization from any other financing.

What are the general instructions?

The general instructions on accounting for the partial extinguishment of debt are as follows:

- a. When a portion of RUS LT debt is extinguished or forgiven as identified in the loan agreement and with RUS approval, the extinguished amount shall be recorded in Account 257.1, Unamortized Gain on Extinguished RUS LT Debt.
- b. The utility shall amortize the recorded amounts monthly over the remaining life of the related loan (original debt).
- c. The amount so amortized shall be credited to Account 429.2, Amortization of Gain on Extinguished RUS LT Debt - Credit.