

### § 639.3

part, including eligibility requirements, the self-certification system used, and identification of the various forms of leases and grants that are eligible under the program. Subpart B also contains a section on other Federal requirements that may apply. Subpart C includes the actual calculations that each recipient should undertake before certifying that a lease is cost-effective. Finally, subpart D contains requirements on early lease termination and project management in general.

[63 FR 68366, Dec. 10, 1998]

#### § 639.3 Purpose of this part.

This rule implements section 3003 of the Transportation Equity Act for the 21st Century (Pub. L. 105-178). Section 3003 amended section 5302 of Chapter 53 of Title 49 of the United States Code to allow a recipient to use capital funds to finance the leasing of facilities and equipment on the condition that the leasing arrangements are more cost-effective than purchase or construction.

[63 FR 68367, Dec. 10, 1998]

#### § 639.5 Scope of this part.

This part applies to all requests for capital assistance under Chapter 53 of Title 49 of the United States Code where the proposed method of obtaining a capital asset is by lease rather than purchase or construction.

[63 FR 68367, Dec. 10, 1998]

#### § 639.7 Definitions.

In this part:

*Applicant* is included in the term "recipient".

*Capital asset* means facilities or equipment with a useful life of at least one year, which are eligible for capital assistance.

*Capital assistance* means Federal financial assistance for capital projects under section 9 of the FT Act.

*Capital lease* means any transaction whereby the recipient acquires the right to use a capital asset without obtaining full ownership regardless of the tax status of the transaction.

*Equipment* means non-expendable personal property.

*Facilities* means real property, including land, improvements and fixtures.

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*Interest rate* means the most advantageous interest rate actually available to the recipient in the market.

*Present value* means the value at the time of calculation of a future payment, or series of future payments discounted by the time value of money as represented by an interest rate or similar cost of funds.

*Recipient* means an entity that receives Federal financial assistance from FTA, including an entity that receives Federal financial assistance from FTA through a State or other public body. In this part, a recipient includes an applicant for Federal financial assistance.

*FT Act* means the Federal Mass Transit Act of 1964, as amended, 49 U.S.C. 1601 *et seq.*

*FTA* means the Federal Transit Administration.

## Subpart B—Requirements

### § 639.11 Lease qualification requirements.

(a) A lease may qualify for capital assistance if it meets the following criteria:

(1) The capital asset to be acquired by lease is otherwise eligible for capital assistance;

(2) There is or will be no existing Federal interest in the capital asset as of the date the lease will take effect unless as determined pursuant to § 639.13(b); and

(3) Lease of the capital asset is more cost-effective than purchase or construction of the asset, as determined under subpart C of this part.

(b) Once a lease has been qualified for capital assistance, it need not be requalified absent an affirmative act or omission by the recipient that vitiates the cost-effectiveness determination.

### § 639.13 Eligible types of leases.

(a) *General.* Any leasing arrangement, the terms of which provide for the recipient's use of a capital asset, potentially is eligible as a capital project under Chapter 53 of Title 49 of the United States Code, regardless of the classification of the leasing arrangement for tax purposes.