

# NAF Accounting Working Group

## Single Asset Capitalization Threshold

### Position Paper #4

#### Issue

Increase the single asset capitalization threshold amount to \$7,500.

#### Research

Below outlines the capitalization threshold guidance, how each Service complies and what the regulations, accounting guidance and industry standards are for this area.

Capitalization Threshold Treatment and Guidelines	Air Force / Space Force	Army	Navy	Marines
<b>Services' Implementation of Capitalization Threshold</b>	Capitalization threshold of \$7,500 or more	Capitalization threshold of \$7,500 or more	Capitalization threshold of \$7,500 or more	Capitalization threshold of \$7,500 or more
<b>DoDI1015.15: 6.4.2.5. <u>Tangible Fixed Assets.</u></b> Tangible fixed assets purchased with NAFs, or donated or transferred to a NAFI, that have a useful life expectancy of more than 2 years and an acquisition cost of \$2,500 or more, shall be capitalized in NAF accounting records.	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance
<b>FMR Volume 13, Chapter 3, 3.6.1., Accounting for Fixed Assets:</b> Fixed assets purchased with NAFs, donated, or transferred to a NAFI with a useful life expectancy of two or more years and an acquisition cost of \$2,500 or more must be capitalized.	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance
<b>GAAP:</b> GAAP does not specify a capitalization threshold for grouped assets or assets purchased in quantity. The determination is left to the entity to determine, as the wide variance in business entities precluded developing a proper applicable standard.	Follows DoD Guidance	Follows DoD Guidance	Follows DoD Guidance	Follows DoD Guidance
<b>FASAB Handbook version 12: SFFAS 6 (13):</b> The Board believes that capitalization thresholds should be established by Federal entities rather than centrally by the Board. Because Federal entities are diverse in size and in uses of PP&E, entities must consider their own financial and operational conditions in establishing an appropriate capitalization threshold or thresholds. Once established, this threshold(s) should be consistently followed and disclosed in the financial reports.	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance	Follows Current Guidance
<b>Industry Practice:</b> Wide variance between similar companies within the same industry such as hotel or resort industries. The threshold varies anywhere in between \$1,000 & \$5,000.	N/A	N/A	N/A	N/A

# NAF Accounting Working Group

## Single Asset Capitalization Threshold

### Position Paper #4

#### Discussion

Current capitalization threshold of \$2,500 dollars hinders the timely completion of inventory requirements for the Military Services. The Military Services are currently using a two-year or more life expectancy with the current capitalization threshold of \$2,500. Each of the Military Services plan to immediately implement the new DoD acceptable threshold of \$7,500. A stricter interpretation of the policy by the Military Services is permissible.

#### Recommendation

All Services should set the threshold for single asset capitalization at a purchase cost equal to \$7,500 or more and an asset life expectancy of two years or more, in accordance with DoDI 1015.15 and DoD FMR. A stricter interpretation of the policy is acceptable.

#### Service Concurrence

Service	Concurrence	Comments / Reason for Non-concurrence
Air Force/Space Force	Concur - 4/5/2024	Comments on file.
Army	Concur - 5/17/2024	Comments on file.
Marines	Concur - 4/17/2024	Comments on file.
Navy	Concur - 4/16/2024	Comments on file.

#### USD(P&R)/MC&FP Disposition

Incorporate change into next update of DoDI 1015.15.

---

#### DFAS Disposition

Incorporate change into next update of DoD FMR Volume 13, Chapter 3.

---

#### Forward to DoDIG?

No DoDIG equities.

---