# Issue

# Asset useful lives used for depreciation varies amongst the Services with each Service assigning unique useful lives to each asset class.

# Research

Below outlines the current treatment of how each service complies and what the regulations, accounting guidance and industry standards are for this area.

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| Asset Useful Lives Guidelines | Air Force | Army | Navy | Marines |
| DoDI 1015.15: 6.4.2.6. “Depreciation and Amortization. Tangible fixed assets, except construction in progress, shall be depreciated over their expected useful lives.” | Follows Current Guidance | Follows Current Guidance | Follows Current Guidance | Follows Current Guidance |
| FMR Volume 13, Chapter 3, 030306. A.1.c: “NAFI management establishes the facility depreciation periods according to guidance in Volume 4.” and 030306. A.10. states “Refer to Volume 4, Chapter 6, Table 6-1 for depreciation periods.” | Follows Alternative Guidance | Follows Alternative Guidance | Follows Alternative Guidance | Follows Alternative Guidance |
| GAAP: Silent on treatment. Depreciate assets over expected useful lives. | Follows Current Guidance | Follows Current Guidance | Follows Current Guidance | Follows Current Guidance |
| Industry Standard: Industry standard is company specific | N/A | N/A | N/A | N/A |

# Discussion

According to U.S. GAAP, organizations must depreciate their assets over the expected useful lives of the assets. It is up to each organization to determine the expected useful lives based on how the assets will be used. The FMR includes a table that outlines the expected useful lives the Services should use to depreciate each asset class. Each Service, however, has its own asset useful life table that does not match the FMR table. Variance in Service asset useful lives makes it difficult to compare depreciation expense across the Services. For example, the FMR requires buildings to be depreciated over 40 years but some Services depreciate building over 30 years. Using straight line depreciation, the yearly depreciation expense for a building costing $20 million will differ depending on whether the useful life used is 30 years or 40 years.

# Recommendation

Given the variance in asset useful lives used by the Services, it is recommended to create a new asset useful lives table for NAF depreciation that meets the Services’ needs and provides uniformity and consistency. It is recommended that a range of useful lives be allowed for most asset classes instead of a single fixed year for each asset class.

Please note: Air Force has made additional requests regarding specific aircraft-related capital assets since the March 2018 NAF Accounting Workshop.

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| ***Asset*** | Buildings | Building Improvements | Furniture, Fixtures & Equipment | Vehicles | Aircraft Engine Overhaul | Aircraft Avionics, interior, painting | Aircraft | Boats | Computer Hardware | Computer Software |
| ***Useful Life in Years*** | 30 - 40 | 5 - 20 | 2 - 10 | 2 - 10 | 2-6 | 2-5 | 5 - 10 | 2 - 15 | 2 - 10 | 2 - 5 |

|  |  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- | --- |
| ***Asset*** | Land Improvements | Land Rights of Limited Duration | Leasehold Improvements | Sewers & other utilities (excluding items like fiber optic cable) | Steam and electric generation equipment | Other water transportation equipment (barges, tugs, etc.) | Horses | Relocatable/ portable buildings |
| ***Useful Life in Years*** | 15 - 25 | Over the Specified Duration | Remainder of Lease Period or 20 Years Whichever is Less | 10 - 50 | 20 | 15 - 20 | 2 - 10 | 2 - 10 |

FMR Volume 13, Chapter 3, 030306. be rewritten to accommodate the recommended NAF asset useful lives chart above, instead of referring to FMR Volume 4, Chapter 6.

# Service Concurrence

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| Service | Concurrence | Reason for Non-concurrence |
| Air Force | Concurrence on 3/13/2018.**Re-concurred 9/20/2018.** |  |
| Army | Concurrence on 3/13/2018.**Re-concurred 9/20/2018.** |  |
| Marines  | Concurrence on 3/13/2018.**Re-concurred 9/20/2018.** |  |
| Navy | Concurrence on 3/13/2018.**Re-concurred 9/20/2018.** |  |

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

No further action.

**DFAS Disposition**

Revise DoD FMR Volume 13, Chapter 3, paragraph 030306.

# Forward to DoDIG?

No further action.