TO: Chancellor, Provost, Vice Chancellors, Deans, Directors, Department Chairpersons, and Sponsored Project Directors

FROM: Thurman D. Wingrove

DATE: June 2, 2000

SUBJECT: Change in the Equipment Capitalization Threshold

Effective July 1, 2000, the University will increase the equipment capitalization threshold from $2,000 to $5,000. The Office of Management and Budget (OMB), the agency responsible for establishing cost principles for educational institutions, authorized the increase at our request.

Given that fiscal year 2001 continues to be subject to our prior indirect cost agreement with the Federal Government (see attached list of indirect cost recovery rates), the following transitional accounting treatment will apply:

- **Sponsored Awards** – Effective July 1, 2000, and continuing through June 30, 2002, equipment costing between $2,000 and $4,999.99 in your sponsored budgets should be charged to subcode 6029. Charges to this subcode will be excluded from the application of indirect cost. Capital expenditures equal to or exceeding $5,000 should continue to be charged to the capital subcode series 6100-6199. Beginning July 1, 2002, equipment costing between $2,000 and $4,999.99 in your sponsored budgets should be charged to the applicable non-capital expense subcodes and draw overhead based on the effective indirect cost rate.

- **Entities 02, 03, 04, 06, 09, and Research Development Funds** – Effective July 1, 2000, all capital purchases greater than or equal to $5,000 should be charged to capital subcode series 6100-6199. All purchases less than $5,000 should be charged to non-capital subcodes.

For the upcoming fiscal year 2001 budget load for Entities 02 and 03, a good faith effort should be made to budget capital expenditures using the new threshold. For example, under the new threshold most personal computer purchases will likely be charged to non-capital subcodes, assuming the cost does not exceed $4,999.99.

The increase in the capitalization threshold will significantly decrease the volume of capital assets acquired and maintained by the University. This decrease in volume will reduce the amount of effort with departmental and central administration procedures associated with tagging, maintaining and inventoring capital assets.

I would like to thank you in advance for your cooperation during this transition period. If you have any questions or need additional information, please contact me at extension 46028.