

Capital Expenditures for Equipment, IT and other Assets

This document describes the general process for SLFRF capital expenditures related to equipment and other tangible personal property. While reflective of standard practice, this process is not inclusive of all review steps and agencies may add to these steps as needed.

Definitions:

Equipment is defined as “tangible personal property” (including information technology systems) that have a useful life of more than **one year** and a **per-unit** acquisition cost of \$10,000 or more. (2 CFR 200.1)

There are several types of equipment including “special purpose equipment” used for research, medical, scientific or other technical activities. Examples of special purpose equipment include x-ray machines, spectrometers and surgical instruments.

General purpose equipment is equipment not limited in use to a special purpose. Examples of general purpose equipment include office equipment, telephone networks, information technology equipment and systems, furniture, and motor vehicles.

Useful life is based upon the estimated length of time the equipment or asset remains usable. The IRS has estimates for the lifespan of assets that may be used as a basis to determine useful life and to determine depreciation of the asset over time. For example, computer equipment and cars are estimated to have a five-year lifespan, while furniture is estimated to have a seven year lifespan. It is advisable to work with your controller and finance team in determining both useful life and depreciation.

It is important to note the difference between information technology systems being purchased and owned versus licensing agreements. Licensing agreements allow a party to use the property of the owner of the IT system, generally for a fee. For example, licensing agreements are purchased for online platforms such as Zoom, WebEx, Adobe, and DocuSign. The licensing agreement allows the use of those systems, but does not provide ownership rights. As a result, licensing agreements would not be considered a capital expenditure/asset.

SLFRF specific requirements:

SLFRF allows for the purchase of Capital Assets including equipment within the following parameters. As with all SLFRF expenditures, with the exception of those in Expenditure Category 6.1, there must be an impact or harm related to the pandemic, and the resulting response that includes the purchase



of equipment or other assets should be related to or respond to that impact or harm. SLFRF allows capital expenditures in E.C. categories 1 and 2 for enumerated uses or with justification as well as E.C. 5. All Capital expenditures must conform to the period of performance (obligated by 12/31/2024 and fully expended by 12/31/2026.) Additionally, there are reporting requirements specific to any capital expenditure.

Additional requirements include compliance with 2 CFR 200 Subpart D including insurance coverage, procurement standards, ongoing maintenance, subrecipient monitoring, record retention and access. Additionally, recipients or subrecipients must maintain proper inventories and property records that include:

- Description of the property;
- Serial or other ID number;
- Source of funding and percentage of federal dollars used;
- Title holder;
- Acquisition date; Cost; Location, use and condition of property;
- Disposition data including date of disposition and sale price if any.

SLFRF has some different disposition requirements than most federal funding. During the period of performance as well as after the period of performance the asset may be used for a purpose other than that for which it was originally purchased as long as the other purpose is consistent with an eligible use. For instance, if a vehicle was purchased for an original purpose of providing COVID-19 vaccinations to remote rural areas but is no longer a critical need, it may be repurposed to provide transportation to individuals with access to health care at the closest facility. This “repurposing” is in alignment with an eligible use, thus the vehicle would not need to be returned to Treasury at the end of the performance period. If the asset cannot be repurposed, then disposition should comply with the requirements of 2 CFR 200.310-316.

