



GSA Instructional Letter: Personal Property Capitalization Threshold Increase

CFO-IL-24-02

Office of the Chief Financial Officer

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Purpose:

This Instructional Letter (IL) provides the policy on the increase of GSA's capitalization threshold for purchases of equipment and related personal property assets from \$10,000 to \$100,000. Exceptions to this threshold increase that remain unchanged are internal use software capitalization for all Service and Staff Offices, as well as vehicles acquired by the Federal Acquisition Service (FAS) fleet leasing program.

Background:

Raising of the capitalization threshold at this time is due to increases in amounts considered material to GSA's financial reporting since the threshold was last updated and to reduce the administrative burden of accounting for capitalized assets.

Applicability:

The provisions of this IL apply to all Service and Staff Office's acquisition of equipment and related personal property. This does not apply to property acquired by lease, which is covered under a separate policy. This IL is effective upon issuance and is a prospective change. This IL will remain in effect for one year from issuance, or until amended or incorporated into the [4260.1 Chief Financial Officer \(CFO\) Manual Volume 1](#), whichever comes first.

This IL does not supersede nor change requirements for accountability (particularly management, custody and control) of personal property as defined in [7800.13 Office of Administrative Services \(OAS\) Management of the General Services Administration's \(GSA\) Internal Personal Property](#).

The following are exceptions to this IL:

1. PBS internal use software remains at a capitalization threshold of \$1 million.
2. FAS Fleet Vehicles remain at a capitalization threshold of \$10,000.
3. ASF and GSA's Other Funds internal use software remain at a capitalization threshold of \$250,000.
4. Existing personal property assets recorded as capitalized equipment **prior to the issuance** of this IL with original cost of less than \$100,000 are to continue depreciation for their remaining useful life.

Cancellation:

This IL supersedes the thresholds related to personal property and equipment listed in [4260.1 CFO Manual Volume 1](#), chapter 9, paragraph 4.

Summary of Changes:

1. This policy requires capitalization of personal property that meet the following criteria:
 - a. acquisition cost of \$100,000 or more,
 - b. useful life of at least 2 years,
 - c. is movable and not classified as real property (personal property not permanently adhered to the physical structure of a building).
2. Group Assets
 - a. Capitalization is required for group purchases of assets that collectively cost \$100,000 or more per purchase order, contract, or other similar acquisition, and meet the capitalization criteria listed above. Depreciation for group assets is required for financial statement reporting.

Roles and Responsibilities:

Service and Staff Offices are responsible for executing this policy as outlined below:

- A. OCFO
 1. Assigns proper accounting classification coding
 2. Coordinates with regional or staff offices to perform annual asset balance validation
 3. Prepares, reviews and approves the final asset balance validation
- B. PBS, FAS and Other Staff Offices
 1. Confirm the existence of the asset during the annual asset balance validation

Please contact April Pratt, Director, PBS Financial Operations Division at april.pratt@gsa.gov, if you have questions related to this document.

Signature

/S/ _____
Nimisha Agarwal
Chief Financial Officer
Office of the Chief Financial Officer

11/26/2024
Date

1. Background

GSA's accounting policy related to property and equipment is prescribed in [4260.1 CFO Manual Volume 1](#). In the Property and Equipment chapter, the manual defines personal property as "property or assets of a temporary nature or with movable characteristics, other than real property. Personal property consists of equipment that is classified as either operating equipment or administrative equipment."

Capitalization thresholds identify minimum amounts, whereby purchases at or above the threshold require recording of such costs as capitalized assets on the balance sheet rather than immediate expensing of those costs. Capitalized assets are depreciated over the useful life of the asset.

Capitalization thresholds are set by each Federal agency, especially in consideration of the financial materiality to the agency and the funds it reports. All material amounts of property and equipment must be capitalized in accordance with accounting standards issued by the Federal Accounting Standards Advisory Board (FASAB). Adjustments to the thresholds are made in consideration of the impacts on financial reporting and information necessary to assess GSA's financial position, balanced by the cost of processes, controls and systems needed to track and monitor capitalized property.

2. Increase in Capitalization Thresholds

Effective immediately with the issuance of this IL, the capitalization threshold for personal property is changed from \$10,000 to \$100,000. The previous capitalization threshold was established more than 20 years ago. The capitalization threshold is being raised due to increases in amounts considered material to GSA's financial reporting. This higher capitalization threshold of \$100,000 for personal property will not materially alter the amounts of General Property, Plant, and Equipment (PP&E) reported on the Balance Sheet. Additionally, the expense of items below the threshold also does not materially alter the Statements of Net Cost.

Capitalized personal property must meet the below criteria:

- a. acquisition cost of \$100,000 or more,
- b. useful life of at least 2 years,
- c. is movable and not classified as real property (personal property is not permanently adhered to the physical structure of a building).

Exceptions to this policy are:

1. PBS internal use software remains at a capitalization threshold of \$1 million.
2. FAS Fleet Vehicles remain at a capitalization threshold of \$10,000.

3. ASF and GSA's Other Funds internal use software remain at a capitalization threshold of \$250,000.
4. Existing personal property assets recorded as capitalized equipment prior to the issuance of this IL with original cost of less than \$100,000 are to continue depreciation for their remaining useful life.

2.1 Group Assets

Capitalization is required for group purchases of assets that collectively cost \$100,000 or more per purchase order, contract, or other similar acquisition, and meet the capitalization criteria listed above. Depreciation for group assets is required for financial statement reporting, as stated in [4260.1 CFO Manual Volume 1](#), Chapter 9.

3. Annual Review

For all personal property with an acquisition cost above the \$100,000 capitalization threshold subject to this IL, annual validation is required. For personal property recorded below the \$100,000 capitalization threshold, a biennial validation is required and it is the responsibility of the OCFO to coordinate with the Services and applicable Staff offices for this review.

4. Roles and Responsibilities

Service and Staff Offices are responsible for executing this policy as detailed below:

For PBS:

1. OCFO, Pegasys Financial Services (BG2D)
 - a. Creates the Pegasys fixed asset number upon request from the Office of PBS Financial Services (BR).
 - b. Prepares the annual validation file for review.
2. OCFO, BR:
 - a. Identifies procurements as personal property or equipment meeting the capitalized threshold and requests personal property fixed asset number from BG2D.
 - b. Assigns proper accounting classification coding on the contract documentation.
 - c. Coordinates with PBS regional offices to perform the annual asset validation.
3. Regional PBS Offices validate the existence of the assets and respond accordingly to BR.
4. OCFO, Office of PBS Financial Operations (BGP) reviews and approves the final validation results captured by BG2D.

For FAS:

1. OCFO, Financial Information and Operations Division (BG2E)
 - a. Creates the Pegasys fixed asset number.
 - b. Prepares the annual validation file for review.
2. OCFO, Office of FAS Financial Services (BGF) oversees the asset validation for FAS.
3. Regional FAS offices identify procurements as personal property or equipment above the capitalized threshold and request personal property fixed asset number from BG2E.
4. Regional FAS Offices validate the existence of the assets and respond accordingly to BGF.

For All Other Staff Offices:

1. OCFO, Financial Information and Operations Division (BG2E)
 - a. Creates the Pegasys fixed asset number.
 - b. Prepares the annual validation file for review.
2. OCFO, Office of Budget (BBW)
 - a. Oversees and coordinates the validation file for review with the applicable Staff Offices.
 - b. Identifies procurements as personal property or equipment above the capitalized threshold and requests personal property fixed asset number from BG2E.

5. Accounting Classification

Accurate Sub Object Class (SOC) coding assigned as part of the accounting classification coding for purchase orders, contracts and other acquisitions is critical to the proper accounting treatment (capitalization vs expense) of costs in the Pegasys general ledger. Accordingly, officials responsible for assigning or certifying such coding on acquisitions must ensure the proper codes are used. The tables below list the SOC codes applicable to purchases of personal property and equipment that are used to identify the proper accounting treatment.

Personal Property Capitalized SOCs:

SOC	Asset Type	Description	USSGL
M01	EQUIPADMIN	Office Furnishing - Group Assets	175000.01
M05	EQUIPOPER	Operating Equipment	175000.02
M11	EQTELESYS	Telephone Systems Acquisitions	175000.04

Personal Property Expensed SOC's:

SOC	Description	USSGL
M51	Office Furnishing - Group Assets	610000.01 (operating) or 650000.01 (cost of goods sold)
M53	Operating Equipment	610000.01 (operating) or 650000.01 (cost of goods sold)
M56	Other Generalized PP&E (Artwork)	610000.01 (operating) or 650000.01 (cost of goods sold)