**Depreciation Instructions for Central Service Agencies**

June 2023

Per Title 2 Code of Federal Regulations, Part 200, section 436 (2 CFR 200.436), this federal Uniform Guidance requires replacing the use allowance method with the depreciation method effective December 26, 2014. The following instructions pertain to the development of the statewide 2024-25 Cost Allocation Plan:

**2022-23 Actuals and 2024-25 Estimates**

* Use allowance *cannot* be used.
* Depreciation applies to new assets purchased in 2022-23 and pre-existing assets that will be included in the 2022-23 Annual Comprehensive Financial Report (ACFR) issued by the State Controller’s Office.  Assets (tangible and intangible) must have a cost of at least $5,000.
* Depreciation will be consistent with the methodology used by the state’s ACFR:
* Assets are depreciated using the straight-line method (see example below).
* Useful life of assets:

1. 10 years - Land Use Rights, Other Intangible Assets, Computer Software
2. 20 years - Patents, trademarks, copyrights
3. 5 years - Equipment
4. 40 years - Structures (buildings and improvements, improvements other than buildings, capital leases, and other assets)

* For pre-existing assets, the depreciation is calculated as if depreciation had been charged from the time of the purchase of the asset (in other words, as if the asset had been depreciated over its entire life) per 2 CFR 200.436 (d)(5).

*Example*: Pre-existing asset of computer software purchased in April 2019 for $6,000, with no salvage value.

Depreciation calculation: $6,000 divided by 10 years of useful life = $600 depreciation per year. The $600 should be included as an allowable CSA expenditure on the 2021-22 Actuals and 2023-24 Estimates worksheets.

**Resources to Federal Regulation:**

* <http://www.gpo.gov/fdsys/pkg/FR-2013-12-26/pdf/2013-30465.pdf>
* <https://www.federalregister.gov/articles/2013/12/26/2013-30465/uniform-administrative-requirements-cost-principles-and-audit-requirements-for-federal-awards>
* https://www.federalregister.gov/documents/2020/08/13/2020-17468/guidance-for-grants-and-agreements