



Equipment Capitalization Threshold FAQ's

Effective September 1, 2021, NYU has a new equipment capitalization threshold of \$5,000 to align with federal requirements prescribed in the Uniform Guidance regulations. This applies to the purchase and fabrication of equipment and furniture with a useful life of more than one year regardless of the source of funding. The new capital equipment threshold will be applied to all new, renewal, and supplemental awards with a start date on or after September 1, 2021.

Basics

- This change will allow NYU faculty and staff more time to focus on the important teaching, research and public service for which NYU is recognized around the world, and put us in alignment with all our peers.
- The primary reasons for the change are: (1) a significant reduction in both faculty and staff administrative burden and (2) to enhance the overall stewardship of the University's assets by alleviating the requirement to perform a physical inventory of relatively low valued items.
- The anticipated impact will be that thousands of NYU's total inventory (items below the \$5,000 threshold) will no longer require tagging, recording and tracking. Time and resources (administrative costs) currently needed for physical inventory of these lower value assets is significant.
- Additionally, this change will align NYU's capitalization threshold with research standards and should also help reduce confusion when working with sponsors, especially Federal, State and City sponsors who have long utilized the \$5,000 threshold.

General

1. What is the new equipment capitalization threshold?

Historically, NYU has defined capital equipment as tangible property (other than land, buildings, improvements other than buildings or infrastructure) with a unit cost of \$3,000 or more (including ancillary costs) used to conduct NYU instruction, research and public service with a useful life of more than one year. Effective September 1, 2021, the unit cost threshold will increase to \$5,000.

2. Does the new equipment capitalization threshold apply to both Federal and Non-Federal projects?

Yes, the new threshold applies to all extramurally funded sponsored projects.

Applying the new equipment capitalization threshold in new proposals

3. When should I start using the new equipment capitalization threshold in my proposals?

The new equipment capitalization threshold should be used immediately in preparing and submitting proposals to extramural sponsors with a start date of September 1, 2021, or later.

Submitted proposals

4. My application was previously submitted with an equipment capitalization threshold of \$3,000, before the notification of the new threshold. Will this rate be honored even though the new rate agreement specifies a higher threshold effective 9/1/2021?

Yes, proposals previously submitted and approved at the \$3,000 equipment capitalization threshold will be honored for the initial award period or competitive segment, which is a period of years approved by the sponsor at the time of the award. However, in some cases, a sponsor may allow the new equipment capitalization threshold and/or may provide additional funding to support the added cost. Contact your [Project Officer in the Office of Sponsored Programs](#) or your [Financial Analyst in Sponsored Programs Administration](#) for guidance.

Applying the new equipment capitalization threshold to existing awards

5. How will the new equipment capitalization threshold be applied to existing Awards with award start date prior to 9/1/2021?

Existing awards, non-competing renewals and supplemental funding ([Funds 24/25/72](#)) with a start date prior to 9/1/2021 will be considered ‘**exempt awards**’ to accommodate those awards that budgeted for capital equipment at the lower equipment capitalization threshold. Budgetary items currently in effect on active awards will remain in effect until the end of the current competitive segment. A competitive segment is a period of years approved by the sponsor at the time of the award.

Any equipment purchases between \$3,000-\$4,999 on ‘exempt awards’ will constitute supplies and should be charged to the newly established **account 62315-Grant Cap Threshold**. All new and existing purchase orders on exempt awards that will incur equipment charges between \$3,000-\$4,999 should be assigned account 62315.

The use of this account will ensure no Facilities & Administrative costs will be assessed; activity is separately tracked and not to be commingled with the capital equipment accounts.

Account 62315 will eventually be phased out and should only be used until the exempt awards expire.

6. How will the equipment capitalization threshold be applied to existing federal multi-year contracts?

Federal contracts will continue with the current equipment capitalization threshold until the end of the period of performance as specified in the agreement. In other words, if the contract defines a specific equipment capitalization threshold is locked into the agreement, the specified amount will continue.

7. How will the equipment capitalization threshold be applied to existing Non-Federal projects?

The equipment capitalization threshold approved by the sponsor at the time of award will continue for the remainder of the award period.

8. What is an ‘exempt award’ and how do I know whether my award is an ‘exempt award’?

“Exempt awards” are those that continue to use the \$3,000 capital equipment threshold beyond September 1, 2021 because the award has an approved start date prior to September 1, 2021.

Please contact your [Project Officer in the Office of Sponsored Programs](#) or your [Financial Analyst in Sponsored Programs Administration](#) for questions related to the application of equipment capitalization threshold in a particular proposal or award.

Awards made with start dates after 9/1/21

9. How will the new equipment capitalization threshold be applied to new, competing renewal and supplement awards with an award start date on or after 9/1/2021?

Awards for new, competing renewal and supplemental funding with an approval/awarded date **on or after 9/1/21** will be subject to the new equipment capitalization threshold of \$5,000, except where referenced above for “exempt awards”.

Purchase orders submitted for capital equipment of \$5,000 or higher should utilize the existing capital equipment accounts as listed below:

- 62310 Lab Eqpt over Cap Threshold
- 62320 Eqpt & Furniture over Cap Threshold
- 62340 Computer over Cap Threshold
- 62345 Network over Cap Threshold
- 62347 Software over Cap Threshold

Sponsors are required to use the capitalization equipment threshold in place at the time the award is made. A higher equipment capitalization threshold may necessitate preparation of a revised budget with additional funds (or supplement) from the sponsor to derive a new total award amount using the same direct cost amount.

If the budget and/or award for some reason do not reflect the new threshold, OSP, when reviewing the award, will confirm options with the sponsor to adjust the award inclusive of requesting additional costs. If you have questions, please contact your [Project Officer in the Office of Sponsored Programs](#) or your [Financial Analyst in Sponsored Programs Administration](#).

Facilities and Administrative (F&A) Costs

10. My lab is heavily involved in fabricating equipment. Will I continue to exclude equipment fabrication costs from the F&A base when the total of those fabrication costs is \$5,000 or more?

Yes, when equipment fabrication costs a total \$5,000 or more, those costs are excluded from F&A.

11. How will this change be reflected in the financial system (FAME)?

F&A costs must be calculated on all non-capital equipment and supplies with an acquisition cost **under \$5,000**, except where indicated above for ‘exempt awards’. The financial system (FAME) is already set up with indirect cost base codes to inform the correct application of F&A.

When F&A is calculated, it is applied to those direct cost object codes that are subject to the F&A base. The base code for Modified Total Direct Costs (MTDC) will be changed to reflect that equipment costs under \$5,000 for ‘exempt awards’ are not charged F&A. Only tangible items of personal property (greater or equal to \$5,000) that meet the NYU definition of equipment should be classified with an equipment object code.

12. My sponsor is industry (for profit company) and does not indicate which direct costs are to be excluded from the base. Do I exclude equipment costing \$5,000 or more (using the MDTC base)?

No. Unless an industry sponsor specifically publishes which F&A base to use and/or which direct costs must be excluded from F&A, you should use the Total Direct Cost (TDC) as the base.

13. My research requires microscopes and computers that cost around \$4,000 each, how do I fully budget going forward?

If the budget is prepared and submitted to the sponsor on or after September 1, 2021, the cost of the microscopes and computers must be reflected in supplies using a supply object code and accounted for by including as direct cost, to which F&A will be assessed. For more information on F&A base exclusion, please see the [NYU F&A webpage](#).

Other

14. How does this change compare to NYU peer institutions?

This change will bring NYU in line with the \$5,000 capitalization threshold that our peer institutions have implemented over the past 7 years. All our top 25 research peers use the \$5,000 threshold.

15. How does this change affect non-sponsored budgets (*Operating, Discretionary & Gifts*)

Equipment purchases on non-sponsored funds such as operating, discretionary and gift funds that are below the \$5,000 threshold are considered supplies and should be charged to the respective supply/equipment (non-capital) account depending on the nature of the item purchased. Purchases below the \$5,000 threshold on non-sponsored funds should not be charged to account 62315 or to any capital equipment accounts.

Please update existing purchase orders to the correct expense account if the cost of the item falls below \$5,000.

16. What determines the treatment of an equipment item during the transition in FY22: the date of the purchase order; the date of receipt; or the date of payment?

The invoice date and account code will determine which threshold will apply. The \$3,000 threshold will apply provided the purchase order is updated to reflect account 62315 for equipment charges of \$3,000-\$4,999. Equipment costs of \$5,000 or higher should continue to use the capital equipment account code(s). NYU will continue to depreciate these items until they are fully depreciated or disposed of (asset retirement), then remove them from the inventory system.

Purchase orders executed on or after September, 2021 will be subject to the new \$5,000 threshold.

17. What financial accounting changes will occur beginning in FY22 (September 1, 2021 - August 31, 2022)?

Equipment purchases with costs between \$3,000 to \$4,999 will now be included as operating expenses rather than depreciable assets.

18. Will this change affect the construction of new buildings?

This change will not affect the University's capital construction threshold, but may affect the overall construction project budget. After September 1, 2021, equipment purchases with costs between \$3,000 and \$4,999 (that were previously budgeted as capital purchases), will become operating expenditures.

19. If I would like to schedule a consultation with a subject matter expert or have someone visit my department meeting to disseminate this information, who should I contact?

Please contact us (ca.datareporting@nyu.edu) if you would like more information.

Please contact your [Project Officer in the Office of Sponsored Programs](#) or your [Financial Analyst in Sponsored Programs Administration](#) for questions related to the application of equipment capitalization threshold in a particular proposal or award.

For other inquiries related to equipment capitalization threshold, please contact Joanne Goldstein, Assistant Controller - Costing & Analysis (joanne.goldstein@nyu.edu), David Ngo, Assistant Vice President – Grants, Gifts, and Investments Accounting & Compliance, (david.ngo@nyu.edu), or Nancy Daneau, Associate Vice Provost for Research (nd37@nyu.edu).

20. Where can I find out more information about Asset Management?

The [Asset Management policy](#) has been updated to reflect these new changes. NYU faculty and staff are encouraged to review the procedures for tagging and disposal of capital equipment. All capital items must be tagged and a physical inventory of those items is performed by Asset Management. Please contact Asset Management <asset-management-group@nyu.edu> prior to disposing of capital equipment or if equipment is not tagged.