UNDER SECRETARY OF DEFENSE
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COMPTROLLER

SEP 22 2003

MEMORANDUM FOR SECRETARIES OF THE MILITARY DEPARTMENTS
CHAIRMAN OF THE JOINT CHIEFS OF STAFF
UNDER SECRETARIES OF DEFENSE
ASSISTANT SECRETARIES OF DEFENSE
GENERAL COUNSEL OF THE DEPARTMENT OF DEFENSE
INSPECTOR GENERAL OF THE DEPARTMENT OF DEFENSE
DIRECTOR, OPERATIONAL TEST AND EVALUATION
COMMANDER, U.S. SPECIAL OPERATIONS COMMAND
DIRECTOR, PROGRAM ANALYSIS AND EVALUATION
DIRECTOR, INTELLIGENCE COMMUNITY STAFF
DIRECTOR, WASHINGTON HEADQUARTERS SERVICES
DIRECTORS OF THE DEFENSE AGENCIES
DIRECTORS OF THE DOD FIELD ACTIVITIES

SUBJECT: Capitalization Threshold

In a memorandum, dated March 11, 2003, I advised that the expense-investment threshold was raised from $100,000 to $250,000. As a result of that memorandum, there has been some confusion about the Department's capitalization threshold. The Department's capitalization threshold for accounting purposes is not changing as a result of the change in the expense-investment threshold and will continue to remain at $100,000.

The $250,000 expense-investment threshold is only applicable to General Fund activities. Since Defense Working Capital Fund Activities (DCWF) rates are developed using depreciation of capitalized assets, the expense-investment threshold will remain at the capitalization threshold of $100,000. This will facilitate rate development, which is dependent on accounting information, and eliminates the need to keep two sets of records for DWCF capital assets if the expense-investment threshold and capitalization threshold were different.

Should you need assistance with accounting procedures, please contact the Defense Finance and Accounting Service. My point of contact for this matter is Mr. Tom Waddell. He may be reached by email at: tom.waddell@osd.mil or telephone (703) 604-6350 x125.

Dov S. Zakheim