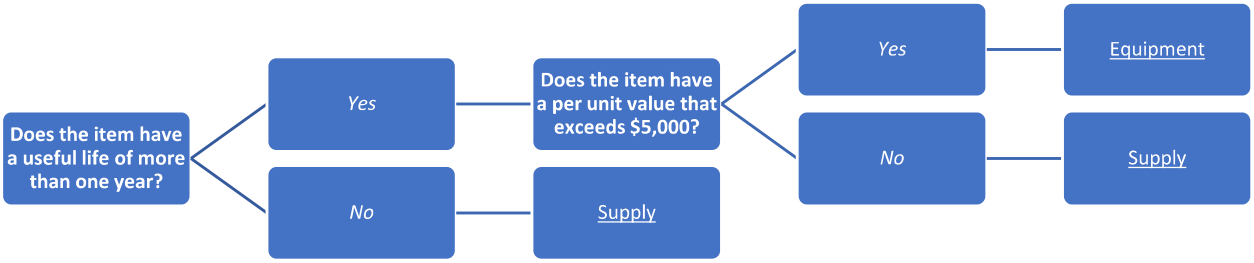
COVID-19 Pandemic: Public Assistance (PA) Disposition Requirements for Equipment and Supplies *Frequently Asked Questions (FAQs)*

This document provides answers to frequently asked questions (FAQs) about disposition requirements for equipment and supplies for all emergency and major disaster declarations for the Coronavirus (COVID-19) pandemic. This document applies to all FEMA projects funded under a COVID-19 emergency or major disaster declaration.

1. How can I determine whether an item is equipment or a supply?

In the context of disposition, equipment is defined as any tangible personal property having a useful life of more than 1 year and a per-unit acquisition cost that equals or exceeds the capitalization level established by the Applicant for financial Statement purposes, or $5,000.[1] Tangible personal property that does not meet this definition of equipment is a supply.[2] Some supplies are durable, with a useful life of more than one year, but durability does not make an item equipment *per se*. The determining factor is whether the per-unit cost of the item exceeds $5,000; if the item costs less than $5,000, then it is considered to be a supply even if it is durable.

- Examples of equipment may include: oxygen tanks, hospital beds, ventilators, refrigerator trucks, coolers, freezers, temperature monitoring devices, and information technology systems (which are different than iPads/laptops).[3]
- Examples of supplies may include: iPads/laptops, personal protective equipment (PPE) such as N95 and other filtering respirators, surgical masks, gloves, protective eyewear, face shields, and protective clothing, sharps containers, and dry ice.



[1] 2 CFR 200.33. Personal property is any property that is not real property and may be tangible or intangible. *Id.* § 200.78.
[2] 2 CFR 200.94.
[3] FEMA Policy 104-021-04, Coronavirus (COVID-19) Pandemic: Medical Care Eligible for Public Assistance (Interim) (Version 2) (March 15, 2021), pp.4-5. Available at Public Assistance COVID-19 Medical Care Policy (V2) (fema.gov).

FEMA

2. Are there different disposition requirements for different types of Applicants?

Yes. Under Federal regulations, and under FEMA's disposition policy, different disposition requirements apply to equipment and supplies for different types of Applicants. When equipment and supplies that were acquired with Federal funding are no longer needed for the original project or program or other activities supported by a Federal agency, there are certain disposition requirements that apply under Federal regulations.[4] If applicable as explained below, an Applicant must provide FEMA the current fair market value (FMV) and compensate FEMA for its share of the original purchase. In accordance with FEMA's disposition policy, FEMA applies this requirement by reducing funding by the applicable amount.[5] This section further outlines specifications of these requirements.

For **equipment** disposition, there are different requirements for State/Territory Applicants than for all other Applicants. For **supplies**, the same disposition requirements apply to all types of Applicants.

Equipment

When equipment purchased with PA funding is no longer needed for the original project or program, Federal regulations require **State and Territorial Applicants** to dispose of equipment in accordance with their own laws and procedures.[6] When allowable pursuant to their own laws and procedures, States and Territorial Applicants may not be required to provide FMV to FEMA for equipment.

For **Tribal, local government, and Private Nonprofit (PNP) Applicants**, when equipment purchased with PA funding is no longer needed for response to or recovery from the incident, these Applicants:

- **May** use the items for other Federally funded programs or projects, provided the Applicant informs FEMA, or
- **Must** calculate the FMV of the individual items of equipment. Applicants must provide the current FMV for items that have a current FMV of $5,000 or more. FEMA reduces eligible project funding by the applicable amount if it is over $5,000. If the individual item of equipment has a current FMV less than $5,000, FEMA does not reduce the eligible project funding.[7]

Supplies

When supplies are no longer needed for Federally funded programs or projects, **all Applicants**, including State and Territorial government Applicants, must calculate the current FMV of any unused residual supplies (including materials) that FEMA funded for any of its projects and determine the **aggregate total.**[8] The Applicant must provide FEMA the current FMV if the aggregate total of unused residual supplies is greater than $5,000. FEMA reduces eligible funding by any applicable amount.[9] If the aggregate total of unused residual supplies is less than $5,000, FEMA does not reduce the eligible project funding.[10]

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[4] 2 CFR 200.313(e).
[5] Public Assistance Program and Policy Guide (PAPPG), FP 104-009-2, p. 29 (Apr. 2018).
[6] 2 CFR 200.313(b).
[7] PAPPG, p. 29.
[8] Id.
[9] Id. p. 30.
[10] Id.

DISPOSITION REQUIREMENTS When purchased equipment or supplies (including materials) are no longer needed for Federally funded projects		
Entity	**Type of Good**	
	Equipment Any tangible personal property (including information technology systems) having a useful life of more than 1 year and a per-unit acquisition cost that equals or exceeds the capitalization level established by the Applicant for financial Statement purposes, or $5,000, whichever is less.	**Supply** Tangible personal property that does not meet this definition of equipment.
State, Territory	• Dispose of equipment in accordance with State and Territorial laws and procedures.	• Applicant must calculate the current fair market value of **any unused residual supplies** (including materials) that FEMA funded for any of its projects and determine the **aggregate total**. • Applicant must provide to FEMA the current fair market value if the aggregate total of unused residual supplies is greater than $5,000. • FEMA reduces eligible funding by this amount. • If the aggregate total of unused residual supplies is less than $5,000, FEMA does not reduce the eligible funding.
Tribal, Local Government, PNP	• Applicant must calculate the current fair market value of the **individual item of equipment**. • Applicant must provide to FEMA the current fair market for items that have a current fair market value of $5,000 or more. • FEMA reduces eligible funding by this amount. • If the individual item of equipment has a current fair market value less than $5,000, FEMA does not reduce the eligible funding.	

3. Are donations of equipment or supplies allowed, and may an Applicant donate equipment or supplies in lieu of repaying FEMA any required FMV?

Once an Applicant has determined that the equipment or supplies purchased with PA funding are no longer needed for response to or recovery from the incident, the Applicant may use the equipment or supplies to carry out activities under another FEMA award or activities under Federal awards from other Federal awarding agencies. The Applicant must notify FEMA in advance of the Applicant's continued use of the equipment or supply for another award.[11]

The exception to this is State or Territorial Applicants whose laws and procedures allow the State or Territory to donate or transfer equipment. State and Territorial Applicants must still comply with applicable FMV requirements for supplies.

[11] 2 CFR 200.313(c); PAPPG, p. 29.

Once the PA grant is closed and FEMA has reduced eligible funding by the FMV of the equipment or supplies, as applicable, FEMA has no interest in whether the equipment or supplies is retained, sold, donated, or transferred.

4. If Applicants are not able to sell, or donate equipment or supplies, are overhead costs for maintenance eligible?

Costs for maintenance/storage of equipment or supplies may be eligible prior to whichever occurs first: the project is complete, or the project period of performance deadline has passed without an extension. Beyond these timeframes, costs to maintain/store equipment or supplies that an Applicant retains are not eligible.

5. What are the appropriate methods of determining Fair Market Value (FMV)?

For large projects, FMV is evaluated at closeout. For small projects, FMV is addressed during the formulation of the project. FEMA currently utilizes three (3) options for assessing the FMV of an equipment or supply:

(1) Relying on a documented assessment from the Applicant;
(2) Obtaining spot quotes for the item from three vendors in the secondary market; or,
(3) For equipment: applying depreciation to the item's initial value based on its Modified Accelerated Cost Recovery System (MACRS) asset class, utilizing straight-line depreciation or the declining balance (DB) method, as specified below.

FEMA will use the following depreciation methods when determining FMV:

- Supplies: Straight-line depreciation[12], and
- Equipment: The 150% declining balance (DB) method.[13]

There may be many factors that affect FMV (e.g., market flooding, items purchased under an expired Emergency Use Authorization, chain of custody issues for sensitive equipment). Applicants must still determine the FMV of the items. In evaluating FMV, factors to consider may include whether there are alternate uses, such as expired masks that may no longer be used in medical settings but may be used in other settings, or supplies that have no value, such as expired medications.

[12] Value of an asset is reduced uniformly over each period until reaches its residual value.
[13] Accelerated depreciation method in which the depreciation expense declines with age of the fixed asset.

			IRS Schedule				AHA/CMS Schedule			
Item	**Category**	**Example Price**	**Expected Useful Life**	**200% DB Residual Values**	**150% DB Residual Values**	**Straight-Line Residual Values**	**Expected Useful Life**	**200% DB Residual Values**	**150% DB Residual Values**	**Straight-Line Residual Values**
Ambulance	Equipment	$200,000	5 Yrs	$160,000 (Yr 1) $108,800 (Yr 2)	$170,000 (Yr 1) $126,650 (Yr 2)	$180,000 (Yr 1) $144,000 (Yr 2)	5 Yrs	NA	No difference	
Digital sign board	Equipment	$6,500	5 Yrs	$5,200 (Yr 1) $3,536 (Yr 2)	$5,525 (Yr 1) $4,116 (Yr 2)	$5,850 (Yr 1) $4,680 (Yr 2)	5 Yrs	NA	No difference	
Hospital bed	Equipment	$5,000	5 Yrs	$4,000 (Yr 1) $2,720 (Yr 2)	$4,250 (Yr 1) $3,166 (Yr 2)	$4,500 (Yr 1) $3,600 (Yr 2)	10 Yrs	NA	$4,625 (Yr 1) $3,983 (Yr 2)	$4,750 (Yr 1) $4,275 (Yr 2)
iPad (10)	Supply	$8,000	5 Yrs	$6,400 (Yr 1) $4,352 (Yr 2)	$6,800 (Yr 1) $5,066 (Yr 2)	$7,200 (Yr 1) $5,760 (Yr 2)	5 Yrs	NA	No difference	
Laptop (10)	Supply	$20,000	5 Yrs	$16,000 (Yr 1) $10,880 (Yr 2)	$17,000 (Yr 1) $12,665 (Yr 2)	$18,000 (Yr 1) $14,400 (Yr 2)	3 Yrs	NA	$15,000 (Yr 1) $9,375 (Yr 2)	$16,666 (Yr 1) $11,111 (Yr 2)
Personal protective equipment	Supply	$5,000	5 Yrs	$4,000 (Yr 1) $2,720 (Yr 2) $0 (Post-expiration)	$4,250 (Yr 1) $3,166 (Yr 2) $0 (Post-expiration)	$4,500 (Yr 1) $3,600 (Yr 2) $0 (Post-expiration)	5 Yrs	NA	No difference	
Refrigerator	Equipment	$5,000	5 Yrs	$4,000 (Yr 1) $2,720 (Yr 2)	$4,250 (Yr 1) $3,166 (Yr 2)	$4,500 (Yr 1) $3,600 (Yr 2)	15 Yrs	NA	$4,750 (Yr 1) $4,299 (Yr 2)	$4,834 (Yr 1) $4,531 (Yr 2)
Thermometer (20)	Supply	$6,000	5 Yrs	$4,800 (Yr 1) $3,264(Yr 2)	$5,100 (Yr 1) $3,800 (Yr 2)	$5,400 (Yr 1) $4,320 (Yr 2)	5 Yrs	NA	No difference	
Vaccine freezer	Equipment	$10,000	5 Yrs	$8,000 (Yr 1) $5,440 (Yr 2)	$8,500 (Yr 1) $6,333 (Yr 2)	$9,000 (Yr 1) $7,200 (Yr 2)	15 Yrs	NA	$9,500 (Yr 1) $8,598 (Yr 2)	$9,667 (Yr 1) $9,063 (Yr 2)
Ventilator	Equipment	$50,000	5 Yrs	$40,000 (Yr 1) $27,200 (Yr 2)	$42,500 (Yr 1) $31,663 (Yr 2)	$45,000 (Yr 1) $36,000 (Yr 2)	10 Yrs	NA	$46,250 (Yr 1) $39,831 (Yr 2)	$47,500 (Yr 1) $42,750 (Yr 2)

Notes: The above assumes a half-year convention, which, per IRS rules, is the standard for non-real estate property. IRS EULs are determined from Appendix B of the IRS Publication 946 (2020) "How to Depreciate Property" (https://www.irs.gov/publications/p946#en_US_2020_publink1000270861). AHA/CMS EULs are determined from the "Estimated Useful Lives of Depreciable Hospital Assets, Revised 2018 edition." An exception is the EUL for PPE which is determined by the manufacturer-recommended shelf life (e.g., N95: https://multimedia.3m.com/mws/media/869238O/3m-health-care-particulate-respirator-and-surgical-masks-storage-conditions-and-shelf-life-faq.pdf).

6. What are the requirements related to real property, such as acquired real property or improvements to real property?

If the Applicant acquires or improves real property with PA funds, disposition and reporting requirements apply when the acquired or improved real property is no longer needed for the originally authorized purpose. The PA Division at FEMA Headquarters provides instructions for disposition of real property.[14] This document pertains to only equipment and supplies.

[14] 2 CFR 200.311 - Real Property-Disposition. When real property is no longer needed for the originally authorized purpose, the non-Federal entity must obtain disposition instructions from the Federal awarding agency or pass-through entity. The instructions must provide for one of the following alternatives: (1) Retain title after compensating the Federal awarding agency. (2) Sell the property and compensate the Federal awarding agency. (3) Transfer title to the Federal awarding agency.