MORNING HANDOUT 1

STATE OF SOUTH CAROLINA
USEFUL LIVES FOR DEPRECIATION OF CAPITAL ASSETS[1]

CAPITAL ASSET[2]	USEFUL LIFE
Land	Not depreciable

Land Improvements:

Some land improvements are depreciable whereas others are non-depreciable. Depreciable land improvements are those that are considered part of a structure or that deteriorate with use or with the passage of time. Non-depreciable land improvements are improvements that produce permanent benefits, primarily related to preparing land for its intended use.

Depreciable land improvements should be reported as a separate category of capital assets. Non-depreciable land improvements should be reported in the land category.

Depreciable:	
Fencing	10-20 years
Landscaping	5-15 years
Lighting	15-20 years
Parking Lots	15-20 years
Paving (Access Roadways and Walks)	10-15 years
Signs	10-15 years
Ports Authority Wando River Channel Dredging Project	50 years
Other Land Improvements	3-60 years
Non-Depreciable:	
Excavation Costs	Not depreciable
Fill and Grading Costs	Not depreciable

Buildings and Improvements:

Hospitals	To be determined individually
Maintenance Facilities/Garages/Machine Shops	20-40 years
Military Facilities (Armories)	To be determined individually
Office Buildings	40-50 years
Prison Facilities	To be determined individually
Recreational Buildings	To be determined individually
Residential Buildings	20-30 years
Schools and Libraries	To be determined individually
Storage Facilities/Warehouses:	
Wooden Sheds/Metal Buildings	10-20 years
Concrete/Masonry Buildings	20-40 years

STATE OF SOUTH CAROLINA
USEFUL LIVES FOR DEPRECIATION OF CAPITAL ASSETS[1]

CAPITAL ASSET[2]	USEFUL LIFE
Buildings and Improvements (continued):	
Other Buildings	5-50 years
Hydro-Electric Utility Plants	55 years
Other Utility Plants	22-37 years
Building Improvements:	

Improvements that DO NOT increase the life of the building should be expensed. Improvements that DO increase the life of the building should be capitalized as part of the cost of the building. The building's useful life should be extended based on the additional service life that the improvement provides. Depreciation expense should be calculated as follows: [building cost (i.e., original cost plus the cost of the improvement) less accumulated depreciation recognized to date] divided by the revised useful life (useful life remaining before the improvement plus the additional service life provided by the improvement).

CAPITAL ASSET	USEFUL LIFE
Vehicles:	
Airplanes and Helicopters	15-20 years
Automobiles	3-6 years
Light General Purpose Trucks and Vans	4-8 years
Heavy General Purpose Trucks and Buses	6-15 years
Tractors	4-10 years
Trailers	6-10 years
Boats	5-10 years
Machinery, Equipment, and Other:	
Computer Equipment (Hardware)	3-7 years
Office Equipment (Copiers, Fax Machines, Paper Shredders, Filing Systems, etc.)	3-10 years
Office Furniture (Desks, Chairs, Bookcases, Cabinets, Credenzas, Tables, Work Stations, etc.)	10-20 years
Other Furnishings and Equipment	2-25 years
Hospital Equipment	To be determined individually
Assets for the Storage of Petroleum Products	10-20 years
Assets Used in the Manufacture of Fabricated Metal Products	5-15 years
Assets Used in the Manufacture or Repair of Furniture	5-15 years
Assets Used in Printing Activities	5-15 years
Nurseries, Greenhouses, and Related Equipment	10-15 years

STATE OF SOUTH CAROLINA
USEFUL LIVES FOR DEPRECIATION OF CAPITAL ASSETS[1]

CAPITAL ASSET[2]	USEFUL LIFE
Works of Art and Historical Treasures	
For governmental funds, to be determined individually if required to be capitalized and depreciated. See "Capitalization and Depreciation of Works of Art, Historical Treasures, and Similar Assets Policies Effective July 1, 2001," provided by the Comptroller General's Office.	
Patriots Point Naval Museum Exhibits (Enterprise Fund)	10-25 years
Infrastructure:	
Categories of infrastructure and useful lives to be determined at a later date for governmental funds.	
Construction in Progress	Not depreciable
Intangible Assets:	
Computer Software:	
Externally Acquired	3 years
Internally Generated	NOT CAPITALIZED[3]
Other intangible assets to be determined individually based on type of intangible asset or life of related contract.	

CALCULATION OF DEPRECIATION:

Depreciation should be calculated using the straight-line method [(cost of asset minus salvage value) divided by useful life]. The useful life should fall within the range provided for the type of asset and should be expressed as a whole number of years. The Comptroller General's Office recommends that a full year of depreciation be taken the year the asset is placed in service; therefore, no depreciation will be taken in the last year of the asset's useful life. If an asset is retired before it is fully depreciated, no depreciation expense should be taken in the year of disposition. Agencies must use straight-line depreciation but may apply a convention other than the full year convention previously described or choose a useful life based on months rather than whole years if it has a valid reason to do so and the policies are applied consistently. Salvage value should not be considered in the calculation of depreciation unless it is substantial.

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[1] Sources for useful lives include the American Hospital Association's *Estimated Useful Lives of Depreciable Hospital Assets, Revised 1998 Edition*; the Internal Revenue Service's *Publication 946, How to Depreciate Property*; and professional judgment.

[2] The major classes of capital assets listed here are those defined by *GASB 34*, Paragraphs 19.

[3] NACUBO has adopted the AICPA’s *SOP 98-1, Accounting for the Costs of Computer Software Developed or Obtained for Internal Use*, as the industry standard and made it applicable to public not-for-profit higher education institutions. Therefore, the State’s colleges and universities should follow *SOP 98-1*, which requires the capitalization of certain costs associated with internally generated software.