

STATE OF WISCONSIN  
 Department of Health and Family Services  
 Division of Supportive Living

To: Area Administrators/Assistant Area Administrators  
 County Aging Directors  
 County COP Contacts  
 County COP - Waiver Contacts  
 County Departments of Community Program Directors  
 County Departments of Developmental Disabilities Services Directors  
 County Departments of Human Services Directors  
 County Department of Social Services Directors  
 Tribal Facilitators  
 Tribal Chairpersons

From:  Sinikka McCabe  
 Administrator

Re: Depreciation and Use Allowance Waiver

The Department of Health and Family Services (DHFS) has made a change to the *Allowable Cost Policy Manual* that makes it easier to expense depreciable assets. Examples of such items include wheelchairs, ramps, and remodeling that enable people to live independently.

In general, the *Allowable Cost Policy Manual* requires the cost of equipment and other capital expenditures with an acquisition cost exceeding \$5,000 be recovered through the use of depreciation or use allowance. However, under certain circumstances and only with a written waiver from DHFS obtained prior to making the purchase, equipment and other capital expenditures with an acquisition cost exceeding \$5,000 can be expensed at the time of purchase.

Depreciation and/or use allowance can create a cash flow problem because it spreads the reimbursement of the purchase out over several years, over the assets useful life. The revision to the Department's *Allowable Cost Policy Manual* will reduce the administrative time needed to obtain a waiver for certain long-term care capital purchases.

The Department has determined that certain long-term care capital purchases no longer require a waiver of the depreciation requirement. The revision to the *Allowable Cost Policy Manual* says that:

An expenditure on equipment or another capital item which exceeds \$5,000 and meets the following criteria does not need to be depreciated. An expenditure can be expensed at the time of purchase if the equipment or capital item:

- a. is for the exclusive benefit of an eligible client in need of assistance to live independently in the community;
- b. is owned and controlled by the client or by the family or guardian of the client who is intended to benefit from the purchase; and
- c. does not become part of the purchasing agency's assets.

Examples of the types of equipment or other capital expenditures over \$5,000 which can be expensed at the time of purchase include: (1) a purchase or significant retro-fitting of a wheelchair; (2) construction of a wheelchair ramp to allow access to a client's home; and (3) remodeling of a client's kitchen or bathroom to allow a client to live independently in the community.

For specific items for long term support clients which do not meet the above criteria, a waiver of the depreciation requirement may be requested from DHFS consistent with current procedure.

This change is effective calendar year 1998. The *Allowable Cost Policy Manual* has been updated to include this change, and it is on-line at [www.dhfs.state.wi.us/grants](http://www.dhfs.state.wi.us/grants). You can also get a copy of the *Manual* by calling the Office of Program Review and Audit at (608) 266-2924.

Please call your area administrator if you have questions about this policy change.

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cc DSL Bureau Directors/Office Directors  
DSL Section Chiefs  
Licensing Chiefs

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