

SAM – PROPERTY ACCOUNTING

USEFUL LIFE AND AMORTIZATION

8617

(Revised 09/2010)

Useful Life and Amortization

Intangible assets are amortized over the useful life of the asset. The useful life of an intangible asset that arises from contractual or legal rights should not exceed the legal term of the rights. Renewal periods should be considered in determining the useful life if the department plans to seek a renewal and the anticipated costs of the renewal are nominal in relation to the level of service capacity expected to be obtained through the renewal. Otherwise, the department must account for the renewal as a replacement of the old intangible asset with a new intangible asset.

An intangible asset should be considered to have an indefinite useful life if there are no legal, contractual, regulatory, technological, or other factors that limit the useful life of the asset. A permanent right-of-way easement is an example of an intangible asset with an indefinite useful life. Intangible assets with an indefinite useful life are classified as non-amortizable. Computer software does not have an indefinite useful life. Generally, amortization is performed only by those non-governmental cost funds, such as Public Service Enterprise Funds, and Working Capital and Revolving Funds that conduct enterprise or internal service fund operations.