



## FAQs on the Use of CDBG Funds for Equipment-Related Expenses

December 2025

*Note: In this document, the term "CDBG" includes CDBG-DR and CDBG-MIT unless otherwise specified.*

### 1. WHAT IS (AND IS NOT) CONSIDERED EQUIPMENT?

According to 2 CFR 200.1, equipment has three defining characteristics:

- It is tangible personal property (including information technology systems). This is distinct from both *real property* and *intangible property*, which are also defined in 2 CFR 200.1.
- It has a useful life of more than one year.
- The per-unit acquisition cost is \$10,000 or more, unless the grantee's policies specify a lower threshold for financial statement purposes.

Tangible personal property with a useful life of less than one year and/or a per-unit acquisition cost below the applicable threshold above is considered *supplies* and is generally not subject to the restrictions on equipment discussed in this document. Computers (and other *computing devices* as defined at 2 CFR 200.1) are considered supplies if the per-unit acquisition cost is under \$10,000 (or a lower threshold set by the grantee for financial statement purposes), regardless of the length of their useful life.

### 2. WHERE CAN I FIND REGULATORY AND POLICY GUIDANCE ON THE ELIGIBILITY OF EQUIPMENT IN CDBG ACTIVITIES?

The primary CDBG and cross-cutting regulations that apply to equipment are:

- 24 CFR 570.207(b)(1)
- 24 CFR 570.502(a)(6)
- 2 CFR 200.313
- 2 CFR 200, Subpart D
- 2 CFR 200, Subpart E (particularly 2 CFR 200.402-411, 200.439 and 200.465)

In addition, here are some links to HUD guidance that addresses the use of equipment in CDBG-funded activities:

- [Notice CPD-14-016: Use of CDBG Funds for Code Enforcement Activities](#)
- [CDBG Entitlement FAQ published April 2019](#)
- [Playing by the Rules, Chapter 4: Property Management and Disposition](#)
- [Notice CPD-23-06: Allocating Costs between Program Administration Costs, Activity Delivery Costs, and Planning Costs](#) [applies to CDBG-DR, CDBG-MIT and CDBG-NDR]

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- [Notice CPD-23-07: Allocating Costs between Program Administration Costs, Activity Delivery Costs, and Planning Costs](#) [applies to entitlement CDBG grantees, Insular Areas and Non-Entitlement Counties in Hawaii]
- [HUD ODR \(Office of Disaster Recovery\) Digest, Vol. 6, January 2023](#) [see page 4]
- [CPD Monitoring Handbook 6509.2, Exhibit 3-21: Guide for Review of Equipment Management and Equipment Disposition](#)

### **3. IS THE PURCHASE OF EQUIPMENT ELIGIBLE IN THE CDBG PROGRAM?**

Per 24 CFR 570.207(b)(1), the purchase of movable equipment, including fixtures, motor vehicles, furnishings, or other personal property not an integral structural fixture, is generally ineligible in the CDBG program. However, there are several exceptions to this requirement:

- The purchase of construction equipment for use as part of a solid waste disposal facility is eligible under 24 CFR 570.201(c) as a public facility. However, the purchase of construction equipment for other activities is NOT eligible.
- Fire protection equipment is considered an integral part of a public facility and thus the purchase of such equipment, including fire engines, would be eligible under 24 CFR 570.201(c).
- Equipment that is purchased in connection with an eligible public service activity under 24 CFR 570.201(e) is eligible.
- Purchase of equipment that is “necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds” is eligible under 24 CFR 570.207(b)(1)(iii).
- Appliances such as refrigerators and stoves are eligible as “principal fixtures” under 24 CFR 570.202 if they are part of a CDBG-eligible rehabilitation activity. (Note, however, that a refrigerator or stove with a per-unit cost of \$10,000 or more may still be prohibited as a luxury item.)
- Permanent generators are eligible as part of a CDBG-DR or CDBG-MIT funded activity to increase disaster resilience.
- Equipment leasing, use allowances and depreciation costs are eligible if they comply with applicable cost principles under 2 CFR 200 Subpart E.

### **4. IS THE PURCHASE OF SUPPLIES ELIGIBLE IN THE CDBG PROGRAM?**

Yes, supplies are an eligible expense in the CDBG program, provided they are tied to an eligible activity and meet a HUD national objective, and costs are substantiated with appropriate documentation.

### **5. WHAT ARE THE REQUIREMENTS FOR MANAGEMENT AND DISPOSITION OF SUPPLIES?**

Under 2 CFR 200.314, title to supplies purchased with CDBG or other federal funds vests in the grantee or subrecipient at the time of purchase. At the end of the period of performance, if there is a residual inventory of unused supplies with a combined value greater than \$10,000 and the supplies are not needed for another federally funded activity, the grantee or subrecipient may retain the supplies or sell them. “Unused supplies” refers to items that remain in new condition and have not been opened or used, and the \$10,000 threshold applies to the total value of all unused supplies, not to individual types of supplies.

When unused supplies are retained or sold, the federal agency or pass-through entity is entitled to compensation equal to its original share of the purchase cost, applied to the current market value of the supplies or to the proceeds from their sale. If the supplies are sold, the federal agency or pass-through entity may allow the grantee or subrecipient to retain up to \$1,000 from the federal share to cover reasonable handling or selling expenses.

In addition, unless specifically authorized by federal statute, supplies purchased with federal funds may not be used to provide services at a lower fee than what a private business would normally charge for comparable services. This restriction remains in effect for as long as the federal government retains an interest in the supplies.

Note that supplies are also subject to the cost principles at 2 CFR 200 Subpart E (including 2 CFR 200.453), the CDBG program administrative cap (unless they can be charged as activity delivery or project costs) and any state or local requirements that may apply.

## **6. WHAT ARE DEPRECIATION COSTS AND HOW DO I CALCULATE THEM?**

Depreciation refers to allocating the costs of an item over the time period during which the item is used. In other words, a grantee may purchase an item with another fund source (e.g. general funds) and then reimburse that fund source with CDBG funds over the useful life of the item, up to the item's total acquisition cost.

To use CDBG funds to pay depreciation costs, the item must be:

- Capitalized (meaning the purchase is documented) in accordance with Generally Accepted Accounting Principles (GAAP);
- Needed and used in the grantee's CDBG activities; and
- Properly charged to a Federal award in the grantee's financial system.

Various methods exist to calculate depreciation, including the straight-line method, which involves depreciation in an equal amount each year over the useful life of the item. For example, if a vehicle is purchased for \$20,000 and has a useful life of five years, straight-line depreciation means that \$4,000 is allocated annually over five years for depreciation ( $\$4,000 * 5 = \$20,000$ ). Per 2 CFR 200.436, the straight-line method must be used unless there is clear evidence indicating that the expected consumption of the item will be significantly greater in the early portions than in the later portions of its useful life.

Depreciation costs must be supported by adequate records showing how the useful life was calculated, original acquisition cost (or reasonable estimate thereof), and the amount of depreciation charged each period. In addition, grantees must complete a physical inventory at least once every two years to document that the item exists and is usable, needed, and used.

Once used, a depreciation method may not be changed unless approved in advance by HUD.

Additional requirements for depreciation can be found at 2 CFR 200.436 and [Item 11 of Appendix B to 2 CFR 225](#).

## **7. HOW DOES A USE ALLOWANCE WORK AND HOW DO I CALCULATE IT?**

Grantees may purchase an item using non-CDBG funds (e.g. general funds) and then charge the CDBG program for its use. Similar to depreciation costs, use allowances are based on the total acquisition cost of an item. If actual cost records have not been maintained, a reasonable estimate of the acquisition cost may be used. The use allowance for equipment must be computed at an annual rate of no more than six and two-thirds (6 <sup>2</sup>/<sub>3</sub>) percent of the acquisition cost.

A reasonable use allowance may be negotiated for any items that are considered to be fully depreciated, after taking into consideration the following factors:

- The amount of depreciation previously charged to the grantee.
- The estimated useful life remaining at the time of negotiation.
- Increased maintenance charges, decreased efficiency due to age, and any other factors pertinent to the utilization of the item for the purpose intended.

The documentation requirements for use allowances are similar to those for depreciation costs: grantees must maintain adequate records showing how the useful life was calculated, original acquisition cost (or reasonable estimate thereof), and the amount of the use allowance each period. In addition, grantees must complete a physical inventory at least once every two years to document that the item exists and is usable, needed, and used.

Additional requirements for use allowances can be found under [Item 11 of Appendix B to 2 CFR 225.](#)

## **8. WHAT REQUIREMENTS SHOULD I BE AWARE OF BEFORE USING CDBG FUNDS TO PURCHASE A VEHICLE?**

CDBG funds may be used to purchase or lease a vehicle, or pay depreciation costs or use allowances for a vehicle, if it is necessary for use by a recipient or its subrecipients in the administration of activities assisted with CDBG funds. However, the following requirements must be met:

- In accordance with 2 CFR 200.318(d), a lease versus purchase analysis or other analysis, as appropriate, must be conducted to determine the most economical approach to procurement.
- If purchased, the vehicle must be procured in accordance with 2 CFR 200 Subpart D, as well as applicable state and local requirements.
- Grantees should ensure that their purchase records demonstrate activity eligibility, national objective compliance, allowability of costs, and cost reasonableness.
- If a vehicle is purchased for code enforcement activities, the grantee must be able to demonstrate, such as through travel logs, that the vehicle is only being used for code enforcement inspections in CDBG-eligible areas and not for any other purpose. For more information on using CDBG funds for code enforcement activities, see Notice CPD-14-016.
- Vehicles must only be used for CDBG-eligible activities undertaken by authorized personnel, rather than being assigned to a motor pool with no restrictions on their use.
- Additional requirements for managing equipment purchased with CDBG funds are discussed under question 9 of this FAQ.

## **9. WHAT ARE THE REQUIREMENTS FOR MANAGING EQUIPMENT PURCHASED WITH CDBG FUNDS?**

Under 2 CFR 200.313(d), grantees and subrecipients must take the following steps to ensure equipment purchased in whole or in part with CDBG funds is managed appropriately:

- (1) Maintain records that include:
  - Description of the property
  - Serial number or other identification number
  - Funding source for the property including the Federal Award Identification Number (FAIN), also known as the grant agreement number
  - Entity that holds title to the equipment
  - Acquisition date and cost of the property
  - Percentage of the Federal agency contribution towards the original purchase
  - Location, use and condition of the property
  - Ultimate disposition data including the date of disposal and sale price of the property
- (2) Take a physical inventory of the property and reconcile the results with the property records at least once every two years to document that the item exists and is usable, needed, and used.
- (3) Develop a control system to ensure adequate safeguards to prevent loss, damage, or theft of the property. Any loss, damage, or theft must be investigated. The recipient or subrecipient must notify the Federal agency or pass-through entity of any loss, damage, or theft of equipment that will have an impact on the program.
- (4) Develop regular maintenance procedures to keep the property in proper working condition.
- (5) If the non-Federal entity is authorized or required to sell the property, proper sales procedures must be in place to ensure the highest possible return.

## **10. CAN EQUIPMENT-RELATED EXPENSES (SUCH AS THE LEASE OR PURCHASE OF A VEHICLE) BE ACTIVITY DELIVERY COSTS OR ARE THEY ALWAYS REQUIRED TO BE PROGRAM ADMINISTRATIVE COSTS?**

Equipment costs incurred for the purpose of administering the CDBG program as a whole, or for multiple programs or activities, should generally be allocated as program administrative costs. These costs are subject to program caps on administrative costs.

Equipment costs incurred for implementing specific, eligible CDBG activities may be allocated as activity delivery costs and are not subject to program caps on administrative costs.

Equipment that will directly serve project beneficiaries, such as fire protection equipment, may be considered a project cost, whereas equipment that supports CDBG staff, such as a vehicle for code enforcement or a software system, would be considered either an activity delivery or administrative cost.

## **11. WHAT ARE THE REQUIREMENTS FOR DISPOSITION OF EQUIPMENT?**

Grantees should consult with HUD regarding disposition of equipment that is no longer needed. Generally, equipment with a current fair market value of \$10,000 or less (per unit) may be retained, sold or otherwise disposed of after the grantee has informed HUD of the need for disposition and received HUD's approval.

For equipment with a current fair market value of more than \$10,000 (per unit), if HUD fails to provide disposition guidance within 120 days, the grantee may retain the item or sell it. If the item is sold, HUD is entitled to receive all or a portion of the sale proceeds according to the percentage of HUD's contribution towards the original purchase by the current market value or proceeds from the sale. However, HUD may permit the grantee to retain \$1,000 of the proceeds from the Federal share to cover expenses associated with the selling and handling of the equipment.

If applicable, the grantee may transfer property title to HUD or an eligible third party provided that the grantee is entitled to compensation for its attributable percentage of the current fair market value of the property.

In addition, per 24 CFR 570.502(a)(8), in all cases when equipment purchased with CDBG funds is sold, the net proceeds are considered program income.

When included in the terms and conditions of the Federal award, the Grantee may be permitted to retain equipment with no further obligation to the Federal Government if the following two conditions are met: 1) HUD grants permission, and 2) retention is not prohibited by other statute or regulation.

For additional information on the title, use, management and disposition of equipment, see 2 CFR 200.313.

## **12. WHAT ARE SOME CONSIDERATIONS FOR INCURRING EQUIPMENT-RELATED EXPENSES IN SUPPORT OF A PUBLIC SERVICE ACTIVITY?**

Per 24 CFR 570.207(b)(1)(iii), equipment that constitutes all or part of a public service under 24 CFR 570.201(e) is eligible. If the equipment will be used to support grantee or subrecipient staff carrying out specific, eligible public service activities, it is most likely an activity delivery cost.

Grantees must retain the following documentation in the project files:

- National objective, activity eligibility and direct benefit data as required by IDIS or DRGR
- Documentation that activity is being delivered as agreed (including specific documentation that the equipment is being used as agreed)
- Product specifications
- Independent cost estimate (including lease vs. purchase analysis)
- Procurement according to the appropriate method
- Cost reasonableness documentation
- Lease or purchase contract (or interagency agreement for depreciation or use allowance)
- Purchase price, calculation of useful life and depreciation or use allowance per period (if applicable)
- Physical inventory every two years to document the item exists and is usable, used and necessary (if depreciation or use allowance)
- Additional documentation may be required for disposition of the equipment under 2 CFR 200.313(e) and 24 CFR 570.502(a)(8). See question 11 of this FAQ for more information.

**13. IF A VEHICLE WAS PURCHASED WITH OTHER FUNDS (E.G. GENERAL FUNDS), CAN CDBG PAY FOR MAINTENANCE EXPENSES OF THE VEHICLE?**

Yes, CDBG can pay for maintenance and fuel or mileage expenses in support of eligible CDBG activities. Fuel or mileage expenses may be reimbursed on an actual cost basis, subject to the grantee's mileage reimbursement policy as well as cost substantiation and documentation that the trip was both necessary and limited to supporting an eligible activity.

Maintenance costs may also be reimbursed as incurred, subject to cost substantiation and documentation that the vehicle is supporting CDBG-eligible activities. However, if the vehicle is not exclusively used for CDBG-eligible activities, the grantee must have a policy that describes how maintenance costs will be pro-rated between CDBG and non-CDBG activities, such as based on the percentage of time spent or miles incurred in service of CDBG-eligible activities. Maintenance performed by outside mechanics (i.e. not an internal agency or division of the grantee) may be subject to procurement requirements such as obtaining multiple estimates, depending on the expected cost or independent cost estimate for the maintenance.

If the costs are incurred in support of a specific, eligible CDBG activity, they can be activity delivery costs. If the costs are in general support of the grantee's CDBG program or multiple programs, they are most likely administrative costs and subject to the program administrative cap.

**14. CAN A GRANTEE REIMBURSE AN EMPLOYEE FOR FUEL OR MILEAGE IF THE EMPLOYEE IS USING THEIR OWN PERSONAL VEHICLE IN SUPPORT OF ELIGIBLE CDBG ACTIVITIES?**

Yes. Fuel or mileage expenses are an eligible activity delivery cost if they are necessary to deliver a specific, eligible CDBG activity. Such expenses that support the general CDBG program or multiple programs or activities are eligible as administrative costs.

Fuel or mileage expenses may be reimbursed on an actual cost basis or on a mileage basis in lieu of actual costs incurred, subject to the grantee's mileage reimbursement policy. For actual costs incurred the grantee should maintain cost substantiation documentation (e.g. receipts). For all fuel and/or mileage expenses, the grantee should maintain documentation that the trip was both necessary and limited to supporting an eligible CDBG activity.

**15. CAN A GRANTEE REIMBURSE A CONTRACTOR SERVING IN AN ADMINISTRATIVE SUPPORT ROLE OR TECHNICAL ASSISTANCE AND TRAINING ROLE FOR VEHICLE EXPENSES SUCH AS FUEL/MILEAGE, PARKING OR TOLLS?**

In general, vehicle expenses such as fuel/mileage, parking or tolls are eligible as activity delivery costs when incurred by contractors serving a specific, eligible CDBG activity. Such expenses incurred by a contractor serving in an administrative support role or technical assistance and training role would most likely be administrative costs.

The grantee's agreement with the contractor should identify how such expenses will be reimbursed. If they are itemized in a budget or pricing proposal that is incorporated as an exhibit to the agreement, reimbursement would be on an actual cost basis, subject to cost substantiation documentation such as receipts. If these expenses are considered overhead, they will not be itemized and will be included as a fee or

overhead expense in the agreed upon unit cost or hourly rate. In this case, the contractor will be indirectly reimbursed for these costs.

Regardless of how vehicle expenses to a contractor are reimbursed, the grantee must retain documentation showing that the expenses were necessary and reasonable. If they are allocated as activity delivery costs, the grantee must retain documentation that the costs directly supported a specific, eligible CDBG activity.

**16. CAN CDBG FUNDS BE USED TO PURCHASE A VEHICLE FOR A CONTRACTOR CARRYING OUT AN ELIGIBLE CDBG ACTIVITY?**

No. In accordance with 2 CFR 200.313(a), title to equipment acquired with CDBG funds must be held by the grantee (or other non-federal entity) and may not be encumbered without the approval of HUD. Grantees may wish to explore other options for providing a vehicle for use by a contractor such as lease, depreciation, charging a use allowance or reimbursing the contractor for using their own vehicle.

**17. ARE VEHICLES AND OTHER NON-PERMANENT EQUIPMENT ALLOWABLE PROJECT COSTS IF THEY ARE NON-ITEMIZED OR COVERED IN A DEVELOPMENT AGREEMENT BUDGET UNDER GENERAL CONDITIONS, FEE OR OVERHEAD?**

Use of CDBG funds to purchase vehicles and other non-permanent equipment is generally ineligible unless it falls under one of the exceptions at 24 CFR 570.207(b)(1), regardless of whether these costs are itemized or included under soft costs such as profit, fee, overhead or general conditions. Often these soft costs are not itemized, meaning the contractor may be indirectly reimbursed for items that are not explicitly referenced in the development or construction budget. However, all project expenses—including profit, fee, overhead and general conditions—must be necessary, reasonable, allowable and allocable to a federal award in compliance with cost principles under 2 CFR 200 Subpart E. In addition, 2 CFR 200.324 requires that a price or cost analysis be performed for every procurement action above the Simplified Acquisition Threshold (currently \$250,000) and that “fair and reasonable” profit be negotiated as a separate element whenever a cost analysis is performed. Aside from the eligibility restrictions previously discussed, these cost reasonableness requirements limit the extent to which expenses such as equipment purchase can be included as a project soft cost.

**18. OUR PROGRAM REQUIRES THE USE OF A VEHICLE TO CARRY OUT OUR CDBG ACTIVITIES. HOW DO I DETERMINE WHETHER PURCHASE, LEASE, USE ALLOWANCE OR DEPRECIATION IS BEST?**

Here are some factors to consider when deciding which option is best for your situation:

- **Will the vehicle be used for eligible CDBG activities occasionally or every day?** Purchase, lease and depreciation tend to be more costly and are more appropriate for activities that require very frequent or everyday vehicle use. If your CDBG activities only require occasional or irregular use of a vehicle, you may wish to pay a use allowance for a vehicle, such as to a vehicle pool, or reimburse staff and contractors for using their personal vehicles.
- **Will the CDBG activities for which the vehicle is needed go on indefinitely or do they have a definite end date?** For activities that are shorter in duration than the useful life of a vehicle, a use allowance or lease can be a shorter-term solution that avoids the eventual need to comply with disposition requirements.

- **Are you able and willing to comply with the requirements for recordkeeping, procurement, management and disposition of equipment purchased with federal funds?** As discussed in questions 8, 9 and 11 of this FAQ, there are several additional requirements that apply when using federal funds to purchase equipment. Grantees should carefully evaluate their own internal administrative capacity to ensure they are prepared to document compliance with all applicable requirements, regardless of which option they choose.
- **Have you completed a lease vs. purchase analysis?** Per 2 CFR 200.318(d), grantees must conduct a lease vs. purchase analysis or other analysis to determine the most economical approach to procurement. A lease vs. purchase analysis should account for related costs such as maintenance and insurance and may include more qualitative consideration of the factors above. You may also wish to quantify and compare use allowance and depreciation costs as potential solutions for obtaining a vehicle to use in your CDBG activities.