

Proposed Inflation Adjustments to Acquisition Thresholds

Written by Administrator

Tuesday, 09 February 2010 00:00

On February 4, 2010 the FAR Councils [published](#) a proposed rule that will lead to changes in key acquisition thresholds. This year's notice of proposed changes is the second of a series of notices that is mandated by the 2005 National Defense Authorization Act, which linked the thresholds to inflation experienced over a 5-year period. In other words, the FAR Councils are required to revise/update the thresholds every five years (in years evenly divisible by five).

The proposed changes are linked to changes in the Consumer Price Index (CPI) including a projection through April 2010. If the final CPI change is different from the projected change, then the final thresholds might be different. That said, the rule proposed to revise key thresholds as follows—

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- Increase the simplified acquisition threshold from \$100,000 to \$150,000.
- Increase the commercial item test program ceiling from \$5,500,000 to \$6,500,000.
- Increase the threshold for obtaining cost and pricing data from \$650,000 to \$700,000.
- Increase the threshold for requiring a (non-construction) prime contractor's subcontracting plan from \$550,000 to \$650,000.
- Increase the threshold for requiring a construction prime contractor's subcontracting plan from \$1,000,000 to \$1,500,000.

The changes listed above create ripple effects throughout the FAR. However, readers should note that there are no changes to other statutory requirements. For example, there are no changes to Cost Accounting Standards (CAS) thresholds. Nor are there any changes to thresholds applicable to the Davis-Bacon Act, the Service Contract Act, or to any trade agreements.

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Many contractors tie their internal policies and procedures to the Federal acquisition thresholds. Consequently, when thresholds are revised in the FAR, they may want to evaluate the impacts on their internal command media. We encourage a thorough review of the proposed threshold changes, to assess how internal guidance might be impacted.