The issue of organizational capability is central to virtually all efforts to improve government performance, particularly in the area of information technology innovation. Capability assessment can play an important role in the digital government domain in at least two ways: one is to provide a basis for judging whether agencies are ready to initiate some digital government innovation, and the other is to judge the impact of a digital government initiative in terms of improved capabilities. Data on capabilities targeted by digital government initiatives can provide both baseline measurements and evidence of subsequent improvements. As part of its research and development on several digital government projects, the Center for Technology in Government (CTG) has developed an approach to capability assessment, resulting in specific assessment toolkits for use in different types of digital government initiatives. This paper describes the approach used in developing these toolkits generally, with an example from one version intended for use in justice information integration projects. The paper includes the theoretical rationale for the design of the toolkits, methods for their use, and implications for use in practice.