**Capitalization Policy for the Acquisition or Production of Tangible Property under Regulation §1.263(a)-1(f)(i) or (ii) for:**

**NAME: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**

**Policy:**

The taxpayer hereby elects that the following costs to acquire or produce tangible property will be charged to a de minimis expense account under Regulation § 1.263(a)-1(f):

* Amounts paid to acquire or produce tangible property not exceeding (**a specified dollar amount\***)**,** and
* Amounts paid to acquire or produce tangible property with an economic useful life of 12 months or less provided the amount per invoice (or item) does not exceed (**a specified dollar amount\***)**.**
* If the above allowable limitations are increased or decreased by future amendments to any Internal Revenue Code statute or regulation or by any IRS issued guidance, the taxpayer hereby elects to automatically adopt the revisions on the effective date of the amendment or change.

This policy does not apply to land and property intended to be included in inventory.

The policy under Regulation §1.263(a)-1(f) is put into place prospectively and is effective as of January 1, 2016.

**\*The specified dollar amount for most taxpayers will be $2,500. However, if there are audited financial statements, the specified dollar amount may be $5,000. Please refer to the aforementioned Regulation for the requirements for audited financial statements.**

**Important Notes:**

**Tangible Property refers to all personal and real property acquired or produced as implements, tools, materials, supplies, equipment, furniture, land, buildings, and fixtures for its place(s) of business for the purpose of carrying out all aspects of business operations.**

**It is possible that book limitation may be larger than tax limitation, but only amounts qualifying for the tax limitation ($5,000/$2,500 per item) may be deducted.**