

January 1, 2014 deadline is fast approaching for written expensing policy

The final capitalization and repair regulations that we highlighted in our October 2013 newsletter articulated the compliance rules that must be followed by taxpayers when deciding whether to capitalize or expense certain costs.

If your business has an Applicable Financial Statement, you can elect to deduct up to \$5,000 per item per invoice. If your business does not have an Applicable Financial Statement, you can elect to deduct up to \$500 per item per invoice. The definition of an Applicable Financial Statement is: 1.) a financial statement required to be filed with the Securities and Exchange Commission, 2.) a certified audited financial statement that is accompanied by the report of an independent CPA, or 3.) a financial statement required to be provided to the Federal or state government or any Federal or state agencies (other than the SEC or the IRS). Without this written policy, the deduction is limited to \$200 per item per invoice.

Therefore, in order to take advantage of the above *de minimis* safe harbor for calendar year 2014, taxpayers must have a written policy in place on or before January 1, 2014. See the link below for a sample capitalization policy that you can use for your business.

We urge you to implement the attached policy to take advantage of the higher safe harbor expense amounts under the new capitalization and repair regulations.