


The background features a complex, abstract design. It consists of numerous overlapping, thick, curved lines in various colors including gold, purple, blue, red, green, and brown. These lines form a sense of movement and depth. In the lower-left quadrant, there is a cluster of colorful numbers (0-9) arranged in a somewhat circular pattern, with some numbers appearing to be part of the larger loops. The overall aesthetic is modern and artistic.

Thank you for joining us!
The webinar will start momentarily...

The background of the slide is dark gray with an abstract pattern of overlapping, semi-transparent geometric shapes in various colors including blue, green, purple, orange, and red. These shapes are primarily located in the upper half of the slide, behind the title.

IRS Expense vs. Capitalization Rules

June 2017

Welcome



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The Rules

1. Moderator Will Not Be Political
2. You Can Politely
3. No Question is Dumb
4. You Can Ask Questions At Any Time



Expense vs. Capitalization

IRS



Business

Why the new rules?

- Make Rules More Understandable
- Increase Compliance



Di Minimis Election



Annual Election



Applicable Financial Statement

- Sent to Sec
- Required By Other Government Agency
- Certified Financial Statements
 - Loans
 - Stakeholder
 - Other Nontax Reasons



Amount

- With AFS \$5,000
- Without AFS \$2,500



YOUR LOGO

COMPANY NAME | 123, Street Name, City Name, 123456, Country
P: +01 234 567 890 | www.companyname.com | lorem@ipsum.com

INVOICE

INVOICE # 123456
DATE: 01/02/2016

INVOICE TO JOHN DOE
ADDRESS 123, Street Name, City Name, 123456, Country
EMAIL lorem.ipsum@lorem.com
PHONE +01 234 854 654
ID 0123456789

PAYMENT METHOD
METHOD1 | METHOD2 | METHOD3

ACCOUNT DETAILS
ACCOUNT NUMBER 123456789
SWIFT 123456
PAYMENTS@LOREMIPSUM.COM

Thank you for your business!

Company signature

Client signature

Per Item or Invoice



Written Capitalization Policy

- What if above Di Minimis limit?
- What if less than Di Minimis limit?



Sample Capitalization Threshold Policy

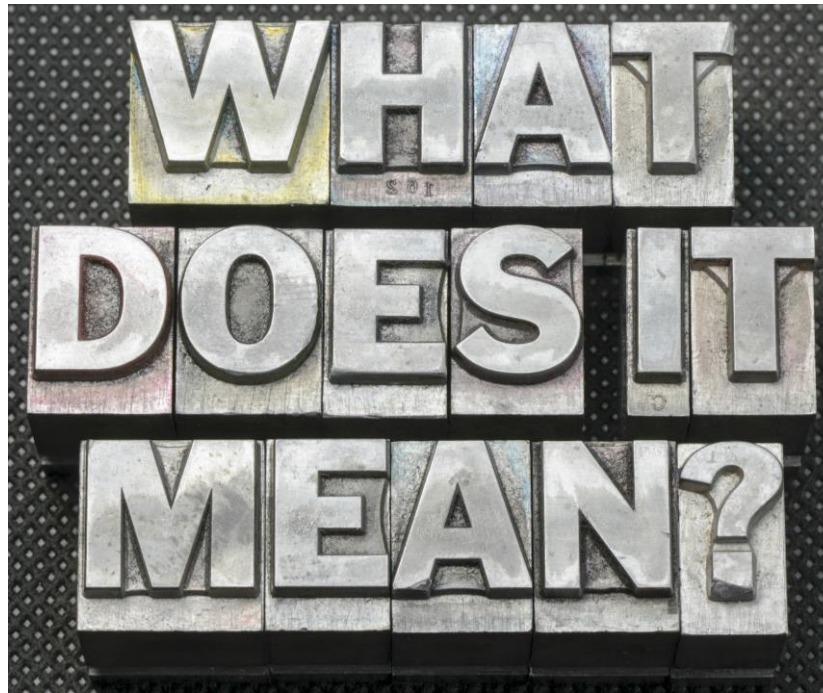
A fixed asset is any tangible asset purchased for use in the day-to-day operations of [Company] from which an economic benefit will be derived over a period greater than one year. Fixed assets include items of property and equipment such as buildings, leasehold improvements, office furniture, fixtures, computers and other related technology equipment. At the time a fixed asset is acquired, its cost is capitalized unless it has a value of [\$____,____] or less in which case the asset is expensed in the period acquired. Amounts paid for property with an estimated useful life of 12 months or less with a value of [\$____,____] or less are expensed in the period acquired as well. Management will periodically review these levels and make any modifications necessary.

This policy was approved by: _____ Name
_____ Title _____ Date

Copied from Dixon Hughes Goodman LLP

Retable, Temporary & Standby Parts

Election to Capitalize and Depreciate



Book / Tax Compliance



Unit of Property

All Components That Are
“Functionally Interdependent”



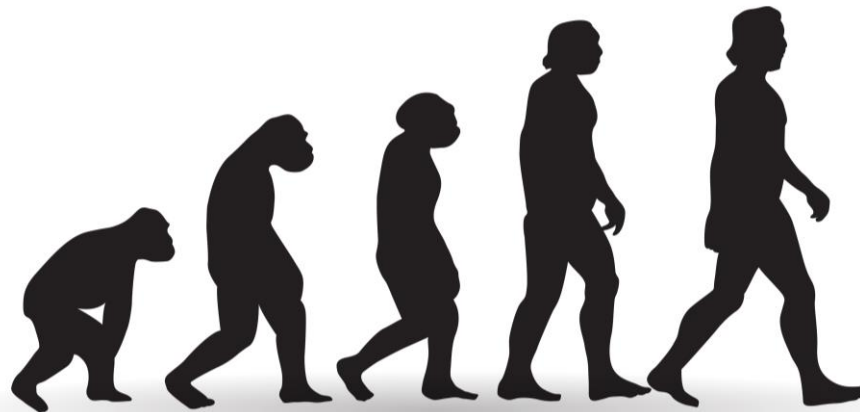
Betterment

- Ameliorates a condition or defect that existed before the acquisition of property or arise during the production of the property
- Material addition to the Property
- Increases productivity, efficiency, strength etc. of the property



Adapts

An adaptation to a new or different use if the use is inconsistent with original intended use.



Restoration

- Return Property to Working Order From A State of Disrepair
- Rebuilding of Property to a “Like-New” Condition
- Replace a Major Component of Substantial Part of the Property



Routine Maintenance

Expect to happen more than once during life of asset and do not result in “Betterment”.



Partial Disposition Election

Recognize Gain Or Loss As You Go



Election to Capitalize Employee Compensation or Overhead



Unit of Property – Real Estate

- HVAC
- Plumbing Systems
- Electrical Systems
- Escalators
- Elevators
- Fire Protection & Alarm Systems
- Security Systems'
- Gas Distribution Systems
- Whatever Future Guidance Says



~~ROOF~~

R/E Units of Property

- Buildings & Building Systems
- Leased Buildings
- Condos & Coops
- Personal & Real Property
- Improvements to Unit of Property
- Components with Different Property Classes
- Plant Property
- Network Assets

Small Taxpayer with Buildings

- \$10 Million or Less in Gross Receipts
- Building Unit of Property \$1 Million or Less
- Lesser of
 - \$10,000
 - 2% of Unadjusted Basis of Property



Annual Elections

Election	Due Date
Capitalize Rotable, Temporary, Temporary or Standby Emergency Parts	Due Date (Including Extensions)
Partial Disposition	Due Date (Including Extensions)
Di Minimis Safe Harbor	Due Date (Including Extensions)
Capitalize Employee Compensation or Overhead	Due Date (Including Extensions)
Small Taxpayer Buildings Improvements	Due Date (Including Extensions)
Compliance with Book reporting	Due Date (Including Extension)

Change In Accounting Method

I assume you already did this.



- \$500,000
- Phase-Out Starting at \$2,500,000
- Business Property



Business Property

- Does Not Include Personal Property Used in Residential Property Except Less the 30 Days
- Does Not Include Land etc.
- Does Not Include HVAC



Bonus Depreciation

- 2015-2017 – 50 %
- 2018 – 40%
- 2019 – 30%

Questions?



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BEYOND THE NUMBERS

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