

## CAPITALIZATION POLICY MEMO

The IRS has maintained a \$2,500 de minimis safe harbor limit to expense amounts that otherwise would be required to be capitalized. We recommend all businesses complete capitalization policies using \$2,500 every year. All expenditures for amounts \$2,500 or above that were assets expected to have an economic useful life of 12 months or more should be capitalized and depreciated.

**What does this mean for you and your business?** For most, reducing income by the allowed \$2,500 is a good option. If there is concern about higher income in years after 2018, a lesser amount or alternate option could be considered.

The de minimis amount should not be confused with the expensing provisions found in Section 179 of the internal revenue code. Amounts expensed for assets that are deducted under the de minimis expensing rules for tangible property are not considered in the calculation of asset purchases utilizing the Section 179 deduction. The Section 179 deduction for 2018 was recently increased as part of the Tax Cuts & Jobs Act to \$1 million for up to \$2.5 million in purchases.