



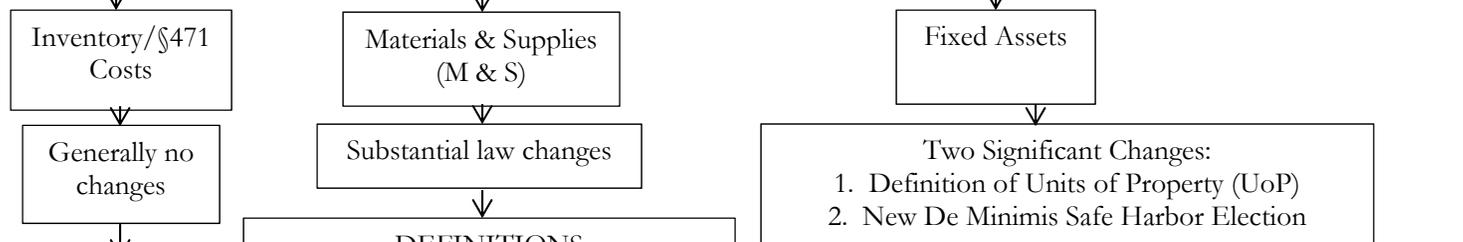
THE FINAL TANGIBLE PROPERTY REGULATIONS

Effective for tax years beginning on or after January 1, 2014



[Reg. Sec. 1.263(a)-2]

- Amounts paid or incurred to acquire or produce tangible property must be capitalized
- Transaction costs (i.e.: facilitative costs) must be capitalized

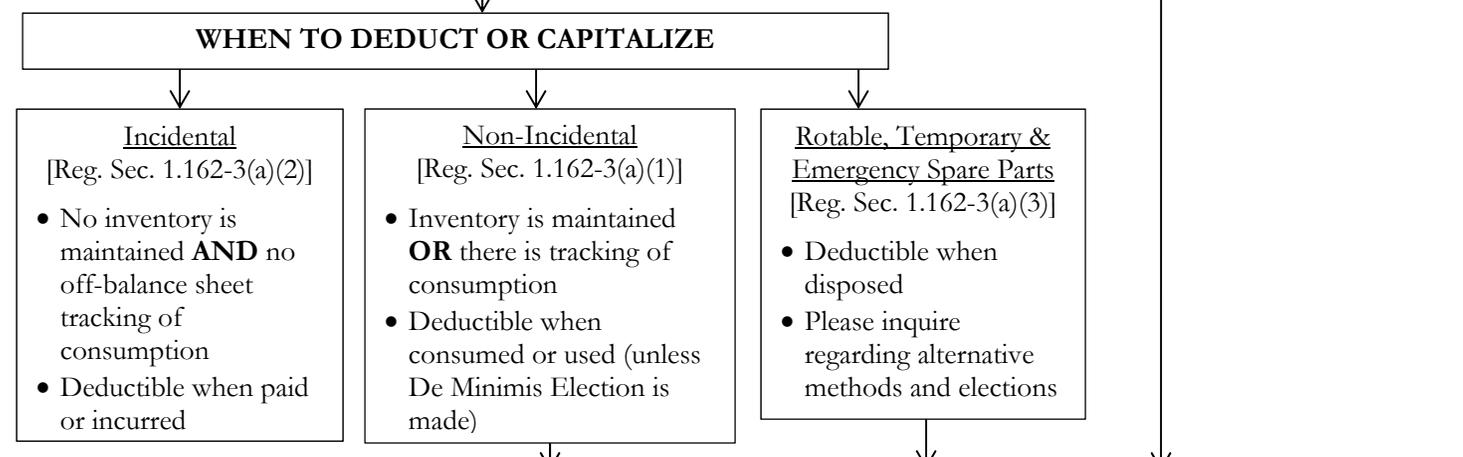
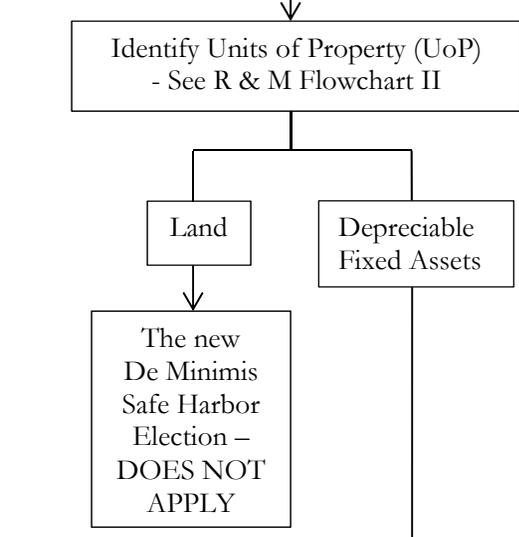


The new De Minimis Safe Harbor Election – DOES NOT APPLY

DEFINITIONS
[Reg. Sec. 1.162-3(c)(1)]

Tangible property consumed in taxpayer's operations that is not Inventory **AND** that is either:

- A unit of Property (UoP) costing \$200 or less (effectively converts small fixed assets to M & S)
- UoP with economic useful life of 12 months or less, specific to taxpayer (Note: no \$\$ limits)
- Component to maintain, repair or improve a UoP (includes rotatable, temporary & emergency spare parts)
- Fuel, lubricants, water & similar items
- Future IRS guidance



De Minimis Safe Harbor Election [Reg. Sec. 1.263(a)-1(f)]
Election Purpose: Deduct vs. Capitalize M & S and Fixed Assets

<u>With Applicable Financial Statement</u>	<u>Without Applicable Financial Statement</u>
<ul style="list-style-type: none"> • Amounts per item or invoice costing \$5,000 or less, or • Items with economic useful life of 12 months or less, subject to \$5,000 cap (limited circumstances) • Must have a <u>written book cap policy</u> in place at BOY • Amounts over safe harbor may be allowed (if clear reflection of income; facts & circumstances memo) 	<ul style="list-style-type: none"> • Amounts per item or invoice costing \$500 or less, or • Items with economic useful life of 12 months or less, subject to \$500 cap (limited circumstances) • <u>Book accounting procedure</u> must be in place at BOY • Amounts over safe harbor may be allowed (if clear reflection of income; facts & circumstances memo)

- Annual Irrevocable Election – statement attached with timely filed original return (including extensions)
- Election requires book and tax conformity for both fixed assets, M & S and R & M
- No multiple elections
- Election applies to every item of fixed assets, M & S, and R & M that are NOT capitalized under book policy
- Does not include intangibles (i.e.: computer software, lease commissions, goodwill, loan fees, non-competes)