REPAIR & MAINTENANCE REGULATIONS FLOW CHART: SHOULD I CAPITALIZE OR EXPENSE

Step 1: **Materials and Supplies** Will the item (that is <u>not</u> inventory but is used to maintain, repair, or improve property: i.e. fuel, lubricants, water, etc.) be consumed in the ordinary course of business within 1 year or does the item have an ecomonic useful life of less than 12 months? YES Does the item cost less than \$200? Go to Step 2 YES NO

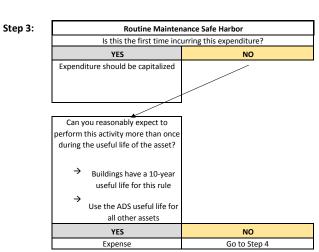
Go to Step 2

Expense

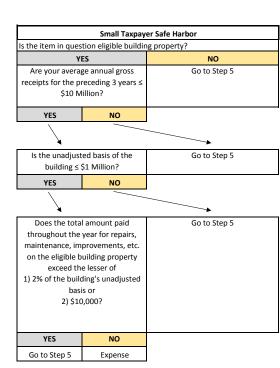
Expense

Step 4:

Step 2: De Minimis Safe Harbor Do you have a written capitalization policy in place at the BEGINNING of the tax year? YES NO Is the safe harbor amount lower Go to Step 3 than the IRS thresholds: → \$5,000 per item with applicable financial statements \$500 per item without applicable financial statements YES The capitalization policy should be adjusted to conform with IRS regulations Does the item you're looking at fall below the de minimis threshold stated in the capitalization policy? YES NO



Go to Step 3



Step 6:

