

IRS INCREASES TANGIBLE PROPERTY EXPENSING THRESHOLD

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In response to public criticism of the initial \$500 de Minimis safe harbor election for expensing versus capitalizing tangible property purchases, the IRS has raised the threshold to \$2,500 per item or invoice (Notice 2015-82). The higher amount applies to tax years beginning on or after January 1, 2016. An applicable safe harbor election should be made annually on your tax return(s). The IRS has indicated they will not raise the issue of expensing amounts below \$2,500 in prior years if the \$500 de Minimis safe harbor election was made. If desired,

the IRS allows companies to continue to capitalize de Minimis amounts.

Companies with audited financial statements are allowed to elect to expense outlays for de Minimis tangible property purchases if the cost per item or invoice is \$5,000 or less. Certain qualifications need to be met under this regulation.

Please feel free to contact Jim Gentry at (314) 205-2510 with any questions on this topic.