



Certified Public Accountants
& Business Advisors

*A Firm That Cares About Its Clients
Large Enough To Know, Small Enough To Care*

Increase in De Minimis Repair Amounts That May Be Expensed

Under a safe harbor in the repair and capitalization rules that took effect in 2014, certain amounts that a business pays for tangible property acquired or produced during the tax year may be deducted, rather than capitalized, provided certain requirements are met and the cost of the property does not exceed a de minimis amount. Effective for 2016, the IRS increased the de minimis amount that is deductible by such businesses from \$500 to \$2,500.

The new \$2,500 threshold applies to items substantiated by an invoice. As a result, your business may be eligible to immediately deduct many expenditures that would otherwise need to be spread over a period of years through annual depreciation deductions. Whether you can benefit from this change in the current year depends on your financial picture. In addition, if your business does want to take advantage of the increase in the de minimis limitation, an election must be made and the business's accounting procedures may need to be modified.