

### Capitalization vs. Expensing

The new IRS regulations on capitalization vs. expensing are complex. The part of the regulations that concerns most small businesses makes it easier for them to comply.

Here is an overview of the safe harbor rules for small businesses. If your average annual gross sales are \$10 million or less, you may choose to write off the cost of improvements made to an "eligible building." An "eligible building" is one that is owned or leased by the qualifying taxpayer and the unadjusted basis of the building is \$1,000,000 or less. Also, to be able to deduct the expenditures on your current-year's tax return, the yearly total paid for repairs, maintenance, and improvements cannot exceed the lesser of \$10,000 or 2% of the building's unadjusted basis.

As with any part of the tax law, there are many details to be followed for the best tax treatment. Please contact us if you would like professional help regarding these new tax regulations for your situation. [inquiries@mangoldcpa.com](mailto:inquiries@mangoldcpa.com) or 512-327-0909