

Taxpayer Name -
For the Tax Year 20xx

Specific Taxpayer Elections with Regard to Materials and Supplies, Routine Maintenance and Non-Capitalized Repairs

Materials and Supplies Policy

Materials and supplies are defined to mean tangible property used or consumed in my business operations that is not inventory and that is -

- a. A component acquired to maintain, repair, or improve a unit of tangible property owned, leased or serviced by me (the taxpayer) and is not acquired as part of any single unit of tangible property;
- b. Fuel, lubricants, water, and similar items that are reasonable expected to be consumed in twelve (12) months or less, beginning when used in my operations;
- c. A unit of property that has an economic useful life of twelve (12) months or less, beginning when the property is used or consumed in my operations;
- d. A unit of property that has an acquisition cost or production cost of \$200 or less; and
- e. A rotatable spare part is considered a supply;
- f. Property identified in published guidance in the Federal Register or in the Internal Revenue Bulletin as materials and supplies.

Incidental materials and supplies are materials and supplies that are carried on hand and for which no record of consumption is kept or for which physical inventories at the beginning and end of the tax year are not taken. Incidental materials and supplies are deductible in the tax year their cost is paid or incurred (Reg. 1.162-3(a)(2)).

The cost of non-incidental materials and supplies are deducted in the year used or consumed (Reg 1.162-3(a)(1)).

It shall be my policy for the current tax year to elect the de minimis rule of Reg. 1.263(a)-2(g), to any portion of my materials and supplies and claim a deduction in the year the cost of materials or supplies are paid or incurred (Reg. 1.162-3(f)).

Routine Maintenance Policy

Under the routine maintenance safe harbor, an amount paid is deductible if it is for recurring activities that I, the taxpayer, expect to perform to keep a unit of property in its ordinarily efficient operating condition. Routine maintenance activities are routine only if, at the time the unit of property is placed in service, I, the taxpayer, reasonably expects to perform the activities more than once during the class life of the unit of property.

I, the taxpayer, herein recite that I reasonably expect to perform such routine maintenance on my tangible property, including such items as fencing, buildings, equipment and other such assets.

Repairs and Maintenance of Buildings Policy

It is understood that I, the taxpayer, with average annual gross receipts of \$10 million or less during the three preceding tax years, as a “small taxpayer”, am not required to capitalize improvements to buildings if the total amount paid for repairs, maintenance, improvements and similar activities during the year that are performed on the building does not exceed the lesser of \$10,000 or two (2) percent of the unadjusted basis of the building.

Capitalization of Repairs and Maintenance Costs Policy

Amounts paid for betterment, adaptation or restoration (BAR) to a unit of property as described in Reg 1.263(a)-3(p), with an economic life of twelve (12) months or more are normally required to be capitalized and depreciated. This would include any “repairs” to a unit that extended the unit’s life beyond twelve (12) months. Accordingly, I, the taxpayer, comply with those provisions of the tax code. However, I, the taxpayer, do herein, for the current tax year, elect to apply the de minimis rule to repairs that “may” extend the useful life of the asset repaired as follows:

It shall be my policy for the current tax year to elect the de minimis rule of Reg. 1.263(a)-3(p), to expense rather than capitalize, any repair to any asset which has an invoice cost of twenty-five hundred dollars (\$2,500) or less and claim a deduction in the year the cost of the repair is paid or incurred (Reg. 1.163(a)-3(p)).

Taxpayer Assertion

I, the taxpayer, do hereby assert that the above policies, personal understandings and elections have been in force from January 1, through December 31, of the current year.