

---

## Capitalization Policy

### 1. Purpose

*This accounting policy is hereby established for book and income tax purposes regarding capitalization expenses for the year January 1, 2018 and thereafter.*

### 2. Materials and Supplies

*The taxpayer establishes a \$200.00 or less per item standard threshold amount as the minimum capitalization for material and supply purchases. Any amount costing below this amount should be expenses on the books and records.*

### 3. Capital Asset Definition

*A "Capital Asset" is defined as a unit of property that:*

- a. Has an economic useful life that extends beyond 12 months; **and***
- b. Was acquired or produced for a cost of \$2,500.00 (including taxes, freight installation costs) or more per item or invoice. Capital Assets must be capitalized and depreciated for financial and tax purposes.*

### 4. Capitalization Thresholds

*The Taxpayer establishes \$2,500.00(including taxes, freight installation costs) as the threshold amount for minimum capitalization in accordance with Internal Revenue Code Sections 167 and 168 and related Regulations. Amounts exceeding this dollar limit will be examined individually to determine if their use or purpose requires capitalization under the betterment, adaptation or restoration rules used by the Internal Revenue Service and will be capitalized or expensed as incurred as a result of the application of those rules.*

### 5. Capitalization Methods and Procedure

*All capital assets will be recorded at historical cost as of the date acquired. Tangible assets costing below the aforementioned threshold amounts are recorded as an expense for book and income tax purposes. Additionally, all assets regardless of costs with an economic life of 12 months or less are required to be expensed for book and tax purposes.*

### 6. Recordkeeping

*All invoices substantiating an acquisition cost of each unit of property shall be retained for a minimum of 4 years.*

**Authorized Signature** \_\_\_\_\_