

Critical IRS Changes To Implement For 2014

IRS Issues New Capital Regulations

The IRS has new regulations and guidelines on what is allowed to be recorded as a repair & maintenance item or supplies & materials (expensed currently) vs. what must be capitalized as a fixed asset and depreciated over time (or sooner if special allowances are available, i.e. Section 179, bonus). The implementation has been constantly changing and the IRS just issued **new relief on February 13th for small taxpayers**. While the rules still apply to small taxpayers, the IRS has allowed the option of implementing the changes from January 1, 2014 rather than going back in time. This is great news for most of you as it means we will not have to prepare Form 3115 to show the accounting method changes. This form was going to take many hours to prepare.

Next steps to take

As a trusted advisor, we have the following action plan to assist in working through these changes. In order to facilitate the changes, MCC asks that you review the steps and begin working on the “TO DO” items. MCC is here to help, but we also want to give you an opportunity to keep costs down by completing as much of the work in house as you want to.

TO DO:

1. Please use this link to read an article that is a Q&A overview of the new laws. <http://www.forbes.com/sites/anthonymitti/2015/02/14/repair-regulation-relief-what-does-it-really-mean-not-as-much-as-you-think/> (Click upper right of Forbes site to bypass pop-up advertisement)
2. Make sure you have a policy in place to expense items under \$500**. While the issued rules do not state that it must be written, we highly recommend it be in writing and effective beginning January 1, 2014 – Meaning the below policy should be reflected in your books and records starting from January 1, 2014. You must use the same policy for book and tax purposes.

**If you have audited financial statements OR financial statements used for governmental purposes (including for SBA loans) your de minimis policy can be up to \$5,000. If you have either of these types of financial statements the policy MUST be in writing.

SAMPLE: It is the company's policy to analyze assets, materials & supplies, repairs, and maintenance that cost \$_____ or more. This analysis will determine if amounts that cost more than \$_____ should be expensed in the current period or capitalized as a fixed asst. All capitalized assets will be depreciated in accordance with the company's depreciation policy. Assets that cost less than \$_____ will be expensed in the period purchased. Amounts paid for assets with an estimated useful life of 12 months or less with a value of \$_____ or less are expensed in the period purchased as well. Management will periodically review these levels and make modifications as necessary.

3. Review the linked [flowchart](#) and [definitions](#). Do the new rules change how you will account for certain items in 2014? If so, please make the appropriate adjustments to your books and records.