Business Engagement Letter Addendum - 2020

Repairs & Capitalization Policies

For 2015 and later the IRS released sweeping changes in items that could be considered deductible as repairs, maintenance and small deductible purchases. These Regulations allow, with the adoption of the below $2500 de minimis policy, businesses to deduct the first $2500 of repairs, maintenance, and small purchases but require items costing more than the $2500 de minimis to be subjected to up to 20 additional tests regarding a 12 month usage life, betterments, adaptations and restorations. We hereby state that we have applied these tests to all repairs, maintenance and equipment and have appropriately determined whether the expenses are properly classified as expendable items or as capitalized items. We also adopt the de minimis policy below for the tax year beginning January 1, 2020.

"We hereby adopt for book and Federal income tax purposes the following policy regarding capitalization expenses for the year beginning January 1, 2020. In accordance with Internal Revenue Code Sections 167 and 168 and related Regulations we have determined that amounts whose individual cost (including tax, installation and delivery costs) does not exceed $2500 will be deducted as incurred as an operating expense. 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."

As an option to the $2500 limit we have adopted a lower dollar limit of $_____ for 2020.

_____
Name/Business Name

_____
By: (Print Name & Title)

_____
Date