
*(name of your business (your name if no business name)
for rental: name of owner(s))*

CAPITALIZATION POLICY

Adopted on date: ___/___/20___

1. Purpose

This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets that are to be recorded in **2020 and on** annual financial statements (or books).

2. Capital Asset Definition

A "Capital Asset" is defined as a unit of property that: (1) has an economic useful life that extends beyond 12 months; and (2) was acquired for a cost of \$2,501 or more. Capital Assets must be capitalized and depreciated for tax return purposes, unless we elect to expense them under IRS Sec. 179 Regulations.

3. Capitalization Thresholds

(for business: name of your business (your name if no business name) -- for rental: name of owner(s))

establishes \$2,501 as the threshold amount for minimum capitalization. Any item costing below this amount should be expensed in **2020 and on** financial statements (or books).

4. Capitalization Method and Procedure

All Capital Assets are recorded at historical cost as of the date acquired. Tangible assets costing below the aforementioned threshold amount are recorded as an expense for **2020 and on** annual financial statements. Alternatively, assets with an economic useful life of 12 months or less are required to be expensed for financial statement purposes, regardless of cost.

5. Recordkeeping Invoices/receipts substantiating and describing the item(s) acquired and applicable cost(s) of each unit of property shall be retained for a minimum of four years.

Signature

Date