Repair and Capitalization Policy

XYZ Company hereby adopts for book and Federal income tax purposes the following policy regarding capitalization expenses for the year beginning January 1, 2014. In accordance with Internal Revenue Code Sections 167 and 168 and related Regulations XYZ Company has determined that amounts whose individual cost (including tax, installation and delivery costs) does not exceed $500 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." (Companies with audited financial statements should replace $500 with $5,000).

Signature

Name and Title

Please replace the items in RED with your information. Also note that if you prepare audited financial statements for you company you have higher limits and will need to replace the numbers on the policy.