



## **For Small Businesses: IRS Raises Tangible Property Expensing Threshold to \$2,500**

The Internal Revenue Service has simplified the paperwork and recordkeeping requirements for small businesses by raising from \$500 to \$2,500 the safe harbor threshold for deducting certain capital items.<sup>1</sup>

The change affects businesses that do not maintain an applicable financial statement (audited financial statement). It applies to amounts spent to acquire, produce or improve tangible property that would normally qualify as a capital item.

The new \$2,500 threshold applies to any such item substantiated by an invoice. As a result, small businesses will be able to immediately deduct many expenditures that would otherwise need to be spread over a period of years through annual depreciation deductions.

The new \$2,500 threshold officially takes effect starting with tax year 2016. However, the IRS will provide audit protection to eligible businesses by not challenging use of the new \$2,500 threshold in tax years prior to 2016.

For taxpayers with an applicable financial statement, the de minimis or small-dollar threshold remains \$5,000.

<sup>1</sup> IRS Notice 2015-82