

Business Safe Harbor Addendum

Repairs & Capitalization Policies

For 2015 and later the IRS released changes in items that could be considered deductible as repairs, maintenance, and small deductible purchases. These Regulations allow, with the adoption of the below \$2,500 de minimis policy, businesses to deduct the first \$2,500 of repairs, maintenance, and small purchases, but require items costing more than the \$2,500 de minimis to be subjected to up to 20 additional tests regarding a 12-month useful 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, 2024.

We hereby adopt for book and Federal income tax purposes the following policy regarding capitalization expenses for the year beginning January 1, 2024. In accordance with the Internal Revenue Code Sections 167 and 168 and related Regulations we have determined that amounts whose individual cost (Including tax, installation and delivery costs) that do not exceed \$2,500 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 expenses as incurred as a result of the application of those rules.

As an option to the \$2,500 limit, we have adopted a lower dollar limit of \$_____ for 2024.

Business Name

Signature & Title

Date