BATTS MORRISON WALES & LEE
CERTIFIED PUBLIC ACCOUNTANTS

SAMPLE
(Applying Maximum Limits for Maximum Income Tax Deductions)

[Name of Organization]

CAPITALIZATION POLICY

1. **Purpose**
   This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets to be recorded in the Organization's books and financial statements.

2. **Capital Asset Definition and Thresholds**
   A "Capital Asset" is a unit of property with a useful life exceeding one year and a per unit acquisition cost exceeding **$5,000 in years for which the Organization has an audited financial statement and $2,500 in other years.[i]** Capital assets will be capitalized and depreciated over their useful lives. The Organization will expense the full acquisition cost of tangible personal property below this threshold in the year purchased.

3. **Capitalization Method and Procedure**
   All Capital Assets are recorded at historical cost as of the date acquired.

   Tangible assets costing less than the aforementioned threshold amount are recorded as an expense in the Organization's annual financial statements. In addition, assets with an economic useful life of 12 months or less must be expensed for financial reporting purposes.

4. **Documentation**
   Invoices substantiating the acquisition cost of each unit of property are to be retained for a minimum of 7 years.

Policy adopted on **[DATE]**

Approved by **[NAME AND TITLE OF MANAGEMENT OFFICIAL APPROVING THE POLICY CHANGE]**

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[i] The threshold may be set at lower amounts if the organization prefers – however, a lower threshold will result in lower amounts being deductible for purposes of federal income tax.