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Sample capitalization policy

Purpose: This accounting policy establishes the minimum cost (capitalization amount) that shall be used to determine the capital assets to be recorded in [BUSINESS ENTITY]'s books and financial statements.

Capital asset definition and thresholds: A "Capital Asset" is a unit of property with a useful life exceeding one year and a per-unit allocation cost exceeding [SPECIFY AMOUNT]. Capital assets will be capitalized and depreciated over their useful lives. [BUSINESS ENTITY] will expense the full acquisition cost of tangible personal property below these thresholds in the year purchased.

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 [BUSINESS ENTITY]'s annual financial statements (or books). In addition, assets with an economic useful life of 12 months or less must be expensed for both book and financial reporting purposes.

Documentation: Invoices substantiating the acquisition cost of each unit of property are to be retained for a minimum of 10 years.

Tax capitalization threshold: The permissible ceiling for deducting otherwise capitalizable expenditures is \$5,000 when our business has applicable financial statements. The threshold is limited to \$2,500 in the absence of applicable financial statements.