

[] Repairs & Capitalization Policies

In 2013 the IRS released sweeping changes in items that could be considered deductible as repairs, maintenance and small deductible purchases. These Regulations allow, with the adoption of the below \$500 de minimis policy, businesses to deduct the first \$500 of repairs, maintenance, and small purchases but require items costing more than the \$500 de minimis to be subjected to up to 20 additional tests regarding a twelve month usage, 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. This has been increased beginning in 2017 to \$2,500. We also adopt the de minimis policy below for the tax year beginning January 1, 2017, which is our first adoption of a repairs, capitalization and de minimis policy.

"We hereby adopt for book and Federal income tax purposes the following policy regarding capitalization expenses for the year beginning January 1, 2017. In accordance with Internal Revenue Code Sections 167 and 168 and related Regulations we have determined that amounts whose individual cost (including tax, installation and delivery costs) does not exceed \$2500 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."

[] Affordable Care Act Policies

In late 2013 the IRS released Revenue Procedure 2013-54 which, among other things has ended the ability for an employer to provide a tax free reimbursement of individual health insurance costs, co-pays, deductibles and most other health care related costs. Failure to comply with these new limitations that went in to effect January 1, 2015 can subject the employer to penalties of \$100 per employee, per day (\$36,500 annually per employee) under IRS Notice 2011-1 and ERISA rules. Effective January 1, 2016 we state that we have not provided tax-free reimbursement or payment of individual health insurance premiums, medical costs, Medicare supplemental policies or Parts B/D premiums or any other medical items, except for those specifically allowed by law as non-discriminatory employer-sponsored group health care plans.

Business Name

Date

BY:

(Print Name & Title)