



Raising the Tangible Personal Property Threshold

By: Larry Gray, CPA, NATP's Government Liaison

The de minimis rule change was an undertaking that was over eighteen months in the making and involved the efforts of several key people and numerous meetings, phone calls and emails. NATP and I were integral in bringing about this change.

Here's what NATP brought to the discussion table regarding the de Minimis rule and the \$2500 election:

Issue: In the original final regulations, you had to have written accounting policies in order to be able to do the de Minimis election from \$200 to \$500.

NATP Response: Very few small businesses have written accounting policies. Over a year ago, during the tangible personal property discussions in Washington DC, NATP emphasized the focus should be the accounting procedure in place, and not require a written accounting policy. On behalf of NATP, I presented to Counsel a real world example of an elderly woman with rental property. The example was a piece of paper detailing the income and expenses for one of her three rental properties. This was her accounting procedure for years. The IRS listened.

Also, the question I brought to the discussion was, why is the amount \$200 without the election, \$500 with the election, and \$5,000 with an audit. During this discussion, I was able to explain to those at the table the difference between compilation review and audit. The IRS thought that if it was an audit, all invoices were looked at. In fact, they are not and I explained the difference. I explained that you do analytical review in review, just as you do in audits, to look for possible accounting issues. I used another real world example of two service stations on opposite corners of an intersection. One can afford audited financials so they can go \$5,000 while the other cannot afford audited financials, so they can do \$200 or \$500 if elected. IRS got the point.

In February, while we were busy in tax season, the IRS made the change. Under the new final regulations, your accounting procedures will now allow you to make the de Minimis election. Without this change, you would have to have a written policy in place at the beginning of the year to elect the de Minimis rule. Big difference.

The process to remove the written accounting policy requirement, the February changes, and the new \$2,500 threshold has taken nearly two years, many meetings, phone calls and emails to reach this decision.

This change was originally planned to be announced in September 2015. In September, the IRS said it was still trying to clear the change through Counsel. Even Commissioner Koskinen and the National Public Liaison (NPL) was asking about the delay at our regular October meeting. We knew before September that the threshold was going to be increased. We just didn't know the timing of the announcement.

Change of this kind takes months in Washington. It didn't happen as the result of one meeting. It's Washington... This change happened with NATP at the table, delivering real world examples, and continuously asking, under "Hot Topics", What's the status of this change?