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# STATE OF INDIANA

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DEPARTMENT OF LOCAL GOVERNMENT FINANCE



INDIANA GOVERNMENT CENTER NORTH  
100 NORTH SENATE AVENUE N1058(B)  
INDIANAPOLIS, IN 46204  
PHONE (317) 232-3777  
FAX (317) 974-1629

**TO:** All County and Township Assessors  
**FROM:** Barry Wood, Assessment Division Director  
**RE:** IRS Rule Change Concerning De Minimis Expensing Threshold  
**DATE:** January 27, 2016

In November, 2015, the Internal Revenue Service (“IRS”) increased from \$500 to \$2,500 the maximum threshold for expensing certain capital items (see IR-2015-133; Notice 2015-82). In other words, for purposes of federal income taxation, a taxpayer can expense in the first year any asset with a cost of less than \$2,500.

Questions have arisen about how this practice can be reconciled with personal property reporting under 50 IAC 4.2. Specifically, a taxpayer may have assets that are written off for purposes of federal income tax reporting, but that must still be reported for Indiana personal property purposes (this was true even when the threshold was \$500, but presumably now that the threshold has increased, more property falls in between the reporting requirements for federal income tax and local personal property tax purposes).

The Department of Local Government Finance (“Department”) advises that taxpayers in this situation either maintain two sets of books or one set with an added column for assets written off for federal income taxes (fully expensed in their first year [not just equipment held for rent]) but still reportable as personal property. Taxpayers may have already been doing this when the threshold was only \$500.

Below is an excerpt from 50 IAC 4.2-4-3, which addresses depreciable personal property on the books at a nominal or no value:

Depreciable personal property recorded on the books and records at a nominal or no value must be recorded at its actual acquisition cost determined by reference to the insurable value in the year of acquisition for Indiana property tax assessment purposes. This category of property includes, but is not limited to, bulk purchase or the acquisition of a going business concern.

Questions may be directed to Assessment Division Director Barry Wood at [bwood@dlgf.in.gov](mailto:bwood@dlgf.in.gov) or (317) 232-3762.