

Deduction and Capitalization of Expenditures Related to Tangible Property IRS – REG-168745-03

The Department of Treasury and the IRS are currently considering a final rule or new proposed rule on the Deduction and Capitalization of Expenditures Related to Tangible Property. The composition of the rule will have tremendous impact on TRSA member companies. The industry processes more than six billion pounds of laundry at 1,500 facilities across the country. This translates into hundreds of thousands of items passing through those 1,500 facilities each day.

Most of those products rented and laundered are low-cost items. Typical examples include:

Table Cloth
Purchase Cost: \$2.50 – \$5.00
Rental Price: 54 – 60 cents

Napkin
Purchase Cost: 75 cents – \$2.00
Rental Price: 7 – 10cents

Uniform
Purchase Cost: \$30.00 – \$50.00
Rental Price: \$1.00 – \$2.00

Wash Cloth
Purchase Cost: 18 cents – 40 cents
Rental Price: 6 – 9 cents

If the new rule were to force companies to account for these items individually it would be an unwarranted, costly burden on textile services companies that by the necessity of their businesses must keep on-hand all these low-cost goods.

The IRS has previously addressed one of the industries concerns when they proposed a \$100 De Minimis level in their March 10, 2008 Notice of Proposed Rulemaking (NPRM). Clarity of the tax code and compliance ease is of paramount importance to any business there for we respectfully request:

1. That the IRS retains the \$100 De Minimis level set in the 2008 NPRM.
2. The elimination of the requirement that the allowed deductions be added to the total amount of “materials and supplies” that are deducted in a tax year. Retaining this provision will undercut the value and intent of the IRS in creating the De Minimis safe harbor because businesses will have to track every low cost item to accurately complete their taxes.
3. Since many current sections of the tax code contain an inflation-adjustment provision, it seems only logical to include language that would allow the *De Minimis* level to track the Consumer Price Index (CPI). Without such language the IRS will have to undertake periodic rulemaking or the rule will not meet it original intentions.