



Wolters Kluwer

# Expense or Capitalize? Course Instructions

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## Instructions to Participants

To assist the participant with navigating the learning process through to successful completion, this course has been produced with the following elements:

**Overview of Topics / Table of Contents:** In this electronic format you'll find a slide menu on the left side of the screen. This serves as your overview of topics for the program. You may navigate to any topic by clicking on the slide name.

**Definition of Key Terms / Glossary:** You'll find key terms defined for this program in the course information on the following page(s).

**Index / Key Word Search:** You can find information quickly in the PDF materials (slide handout plus any additional handouts) by using the search function built into your Adobe Reader.

**Review Questions:** Questions that test your understanding of the material are placed throughout the course. You'll see explanatory feedback pop up for each incorrect answer, and reinforcement feedback for the correct answer for every review question.

**Final Exam:** The final exam measures if you have gained the knowledge, skills, or abilities outlined in the learning objectives. You may submit your final exam at the end of the course. Exams are graded instantly. A minimum score of 70% is required to receive the certificate of completion. **You have one year from date of purchase to complete the course.**

**Course Evaluation:** Once you have successfully passed your online exam, please complete our online course evaluation. Your feedback helps Wolters Kluwer maintain its high quality standards!

## About This Course

This section provides information that is important for understanding the course, such as course level and prerequisites. Please consider this information when filling out your evaluation after completing the course.

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### Course Description

Understanding whether an expense should be capitalized or immediately deducted as an expense is a tax question faced by nearly every business. Taxpayers are often required to capitalize otherwise deductible transactional expenses such as legal fees and appraisals, and even more complicated rules apply to manufacturers and producers of tangible property in determining cost of goods sold.

This course covers the general tax rules requiring the capitalization of expenses that create an asset with a useful life that extends substantially beyond the taxable year, the rules for capitalizing transaction costs, and the section 263A regulations that apply to manufacturers and producers of tangible property. It also covers how the change in accounting method rules apply to deducted expenses that should be capitalized.

### Learning Objectives

Upon successful completion of this course, participants should be able to:

- Recognize how to explain general rules determining when expenses should be capitalized
- Identify rules that require capitalization of transaction costs into basis of acquired assets
- Differentiate how section 263A requires capitalization of expenses into cost of goods sold
- Recognize how new "repair regulations" apply in common scenarios

### NASBA Field of Study

Taxes. Some state boards may count credits under different categories—check with your state board for more information.

### Course Level

Intermediate. Program knowledge level that builds on a basic program, most appropriate for CPAs with detailed knowledge in an area. Such persons are often at a mid-level within the organization, with operational and/or supervisory responsibilities.

### Prerequisites

Basic familiarity with concept of capitalization of expenditures.

### Advance Preparation

None.

### Course Expiration

AICPA and NASBA Standards require all Self-Study courses to be completed and the final exam submitted within 1 year from the date of purchase as shown on your invoice. No extensions are allowed under AICPA/NASBA rules.

## Key Terms

- **Bonus Depreciation:** An additional amount of deductible depreciation that is awarded above and beyond what would normally be available based on current IRC regulations.
- **Depreciation:** An accounting method of allocating the cost of a tangible asset systematically over its useful life.
- **Indopco Case:** A United States Supreme Court case in which the Court held that expenditures incurred by a target corporation in the course of a friendly takeover are nondeductible capital expenditures.
- **Personal Property:** In general, any other property other than real estate.
- **Real Property:** Any property attached directly to land as well as the land itself. It is any subset of land that has been improved through legal human actions.
- **Section 179:** Allows businesses to deduct the full purchase price of qualifying equipment and/or software purchased or financed during the tax year.