

### Reg. Section 1.263A-1T

Uniform capitalization of costs (temporary).

(a) through (b)(13) [Reserved]. For further guidance, see § 1.263A-1(a) through (b)(13).

(14) Property subject to de minimis rule. Section 263A does not apply to the costs of property produced by a taxpayer to which the taxpayer properly applies the de minimis rule under § 1.263(a)-2T(g). However, the cost of property to which a taxpayer properly applies the de minimis rule under § 1.263(a)-2T(g) may be required to be capitalized to other property as a cost incurred by reason of the production of the other property that is subject to section 263A.

(c)(1) through (c)(3) [Reserved]. For further guidance, see § 1.263A-1(c)(1) through (c)(3).

(4) Recovery of capitalized costs. Except as provided in § 1.162-3T(a)(2) (amounts paid to produce incidental materials and supplies), costs that are capitalized under section 263A are recovered through depreciation, amortization, cost of goods sold, or by an adjustment to basis at the time the property is used, sold, placed in service, or otherwise disposed of by the taxpayer. Cost recovery is determined by the applicable Internal Revenue Code and regulation provisions relating to use, sale, or disposition of property.

(d)(1) through (e)(2)(i) [Reserved]. For further guidance, see § 1.263A-1(d)(1) through (e)(2)(i).

(A) Direct material costs. Direct materials costs include the cost of those materials that become an integral part of specific property produced and those materials that are consumed in the ordinary course of production and that can be identified or associated with particular units or groups of units of property produced. For example, a cost described in § 1.162-3T, relating to the cost of a material or supply, may be a direct material cost.

(e)(2)(i)(B) through (e)(2)(ii)(D) [Reserved]. For further guidance, see § 1.263A-1(e)(2)(i)(B) through (e)(2)(ii)(D).

(E) Indirect material costs. Indirect material costs include the cost of materials that are not an integral part of specific property produced and the cost of materials that are consumed in the ordinary course of performing production or resale activities that cannot be identified or associated with particular units of property. Thus, for example, a cost described in § 1.162-3T, relating to the cost of a material or supply, may be an indirect cost.

(e)(2)(ii)(F) through (k)(5) [Reserved]. For further guidance, see § 1.263A-1(e)(2)(ii)(F) through (k)(5).

(l) Change in method of accounting for de minimis costs. A change in the treatment of amounts paid for property subject to the de minimis rule to comply with paragraph (b)(14) of this section is a change in method of accounting to which the provisions of sections 446 and 481, and the regulations thereunder apply. A taxpayer seeking to change to a method of accounting permitted in paragraph (b)(14) of this section must secure the consent of the Commissioner in

accordance with § 1.446-1(e) and follow the administrative procedures issued under § 1.446-1(e)(3)(ii) for obtaining the Commissioner's consent to change its accounting method.

(m) Effective/applicability date. (1) Paragraphs (h)(2)(i)(D), (k), and (m)(1) of this section apply for taxable years ending on or after August 2, 2005.

(2) Paragraph (b)(14), the introductory phrase of paragraph (c)(4), the last sentence of paragraphs (e)(2)(i)(A) and (e)(2)(ii)(E), paragraph (l), and paragraph (m)(2) of this section apply to amounts paid or incurred (to acquire or produce property) in taxable years beginning on or after January 1, 2012. For the applicability of § 1.263A-1 to taxable years beginning before January 1, 2012, see § 1.263A-1 in effect prior to January 1, 2012 (§ 1.263A-1 as contained in 26 CFR part 1 edition revised as of April 1, 2011).

(3) Expiration date. The applicability of this section expires on December 23, 2014.