



OFFICE OF THE CHIEF COUNSEL

DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

November 1, 2010

Number: **2010-0240**
Release Date: 12/30/2010

CONEX-141796-10

UIL: 263.00-00

The Honorable Geoff Davis
U.S. House of Representatives
Washington, DC 20515

Dear Mr. Davis:

I am responding to your letter dated October 7, 2010, about the proposed regulations for the Deduction and Capitalization of Expenditures Related to Tangible Property (REG-168745-03). You are concerned that the regulations, if finalized, may impose a significant compliance burden on the textile rental services industry by requiring companies to track and account for numerous small dollar items.

You request that the Department of Treasury and the IRS retain the *de minimis* rule in the proposed regulations that relieves taxpayers from the requirement of capitalizing certain property that costs \$100 or less. You ask that the IRS and the Department of Treasury modify the rule so that taxpayers are not required to track these small dollar items in determining whether they meet certain limitations on the rule.

Thank you for forwarding your suggestions. We have received numerous comments on the proposed regulations, including several letters from the uniform and textile services industry expressing concerns similar to yours. We recognize the concerns raised by the industry, and are carefully considering all of the comments as we revise the proposed regulations for final publication.

I hope this information is helpful. If we can assist you further, please contact me or
at

Sincerely,

Andrew J. Keyso
Deputy Associate Chief Counsel
Office of Associate Chief Counsel
(Income Tax & Accounting)