ALE.5

Materials, Supplies, and Inventory On Hand

This account is mainly used to ensure compliance with tax regulations that limit the amount of materials, supplies and inventory costs that can be deducted during the tax year.

Most smaller operations do not record their materials and supplies on their balance sheet, instead, they record these purchases as expenses when they are purchased. However there are special tax rules limiting the amount of materials and supplies that can be deducted if they are not all used during the same year they were purchased.

See *AT.3 Special tax requirements* when you have inventory on hand at year end.