**Section 140.536 Organization and Pre-Operating Costs**

a) Material pre-operating and organization costs must be capitalized and amortized ratably over a 60 month period starting with the month the first patient is admitted. Allowable organization costs include legal fees incurred in establishing the corporation or other organization, necessary accounting fees, expenses of temporary directors, and organizational meetings of directors and stockholders. Fees paid to States for incorporation costs relating to the issuance and sale of shares of capital stock or other securities are not allowable.

b) Pre-operating costs are incurred from the time preparation begins on a building, wing, or floor to the time the first patient is admitted. If material, these costs must be amortized to cover a 60 month period. Pre-operating costs include administrative and nursing salaries, heat, gas, and electricity, taxes, insurance, mortgage and other interest from the completion of construction until the first patient is admitted, employee training costs, housekeeping, and any other allowable costs incident to the standard period.

c) Expenditures attributable to the negotiation or settlement of the sale or purchase of any capital asset (including legal fees, accounting and administrative costs, travel costs, and the costs of feasibility studies) shall not be considered to be allowable costs for cost reporting and reimbursement purposes.

(Source: Amended at 9 Ill. Reg. 19138, effective December 2, 1985)