New Tangible Property Regulations and Cost Segregation Studies

In September 2013, the IRS put new regulations in place that determine what expenditures a taxpayer can deduct currently as repairs or capitalize and depreciate over several years. The rules also allow taxpayers to write off the remaining undepreciated cost of assets that are disposed or replaced. For example, if a taxpayer replaces a building's roof before the old roof is fully depreciated, he will capitalize the new roof and can take a deduction equal to the remaining undepreciated cost of the old roof.

In order to take full advantage of these new rules, taxpayers will have to be able to reasonably calculate the undepreciated cost of replaced or disposed assets. One method specifically mentioned by the IRS is an engineered cost segregation study.

ACRS can help taxpayers with the new regulations in several ways. First, we can help you properly classify expenditures as repairs or capitalized costs. Second, by performing a cost segregation study, we can produce a Units of Property Analysis to be used as a basis for classifying future expenditures. And third, we can calculate the undepreciated cost of older assets that have been replaced or disposed.

Opportunities are present for leasehold improvements and whenever a taxpayer replaces old assets or removes assets during a renovation. Sample items include:

- Roof
- HVAC
- Electrical system
- Walls
- Windows
- Doors
- Lighting
- Flooring
- Resurfacing parking lots
- Painting
- Many components will be determined upon inspection by our engineers

Please contact your ACRS sales representative for a free analysis and proposal today.