

NEW IRS REGS FOR IMPROVEMENTS TO TANGIBLE PROPERTY ABOUT WITH POTENTIAL TAX SAVINGS

By: Moshe Hildeshaim, Director of Operations, Madison SPECS

September 11, 2015

The IRS recently confirmed the newest regulations which govern the treatment of expenses incurred in improving tangible property. The regulations determine how to break down the costs related to repairs or capital improvements. These rules will affect taxpayers who acquire or improve tangible property.

According to the new regulations, structural assets may be broken down in greater detail for future write-off benefits. When the taxpayer is determining if improvements were made, the building structure and each building system can be considered separately.

The building is evaluated and broken out into units of property (UOP) according to nine Enumerated Building Systems.

- ▶ HVAC systems, including motors, compressors, boilers, furnace, chillers, pipes, ducts and radiators.
- ▶ Plumbing systems, including pipes, drains, valves, sinks, bathtubs, toilets, water and sanitary sewer collection equipment and site utility equipment.
- ▶ Electrical Systems, including wiring, outlets, junction boxes, lighting fixtures and associated connectors.
- ▶ Escalators
- ▶ Elevators
- ▶ Fire Protections Systems, including sensing devices, computer controls, sprinkler heads, sprinkler mains, associated piping or plumbing, pumps, visual and audible alarms, alarm control panels, heat and smoke detection devices, fire escapes, fire doors, emergency exit lighting and signage, and firefighting equipment.
- ▶ Security systems, window and door locks, security cameras, recorders, monitors, motion detectors, security lighting, alarm systems, and entry and access systems.
- ▶ Gas distribution systems

The new regulations expand the definition of disposition of structural property. The amount paid can be considered an improvement if it is made to either the building structure or one of the building systems. It is considered an improvement to a unit of property when a property owner spends money on the property that results in the betterment of the property, restoration of the property, or adaption of the property to a new or different use.

The retirement of an individual structural component in the building is eligible for a write-off of the net tax value of the asset. This framework for capitalization requires a detailed analysis of a taxpayer's facts and

follow us:    

“Building Successful Relationships” is our Mission.

The above information was furnished to us by sources which we deem to be reliable, but no warranty or representation is made as to the accuracy thereof. Subject to correction of errors, omissions. This article is for informational purposes only.

© 2015 WCRE All Rights Reserved

circumstances. A thorough cost segregation study can determine those building systems which may be eligible. Property owners can also take advantage of total or partial structural dispositions. After conducting an initial cost segregation study with UOP break downs, property owners can avail themselves of total or partial structural disposition of any impaired asset by filing a Form 3115. The Form 3115 is an application for change in accounting method which can be filed as a stand alone disposition, or in conjunction with a look-back study. A proper application of the new regulations can help property owners to minimize their income taxes and increase cash flow.

About the Author

Moshe S. Hildeshaim is Director of Operations for Madison SPECS, LLC., a division of Madison Commercial Real Estate Services. In that capacity, Mr. Hildeshaim assigns, oversees and reviews all cost segregation studies for Madison SPECS, deals with client needs and provides direction on all sales and marketing efforts for the division. Prior to joining Madison SPECS, Mr. Hildeshaim was with BCRS Associates, a boutique tax practice located in New York City where he serviced high-net-worth individuals with their specific tax needs. Mr. Hildeshaim graduated from Fairleigh Dickinson University with a Master's degree in accounting.

www.madisonspecs.com

For more information, contact:



Carlos Alvarez
Regional Business Director
Madison Commercial Real Estate Services
calvarez@madisoncres.com
(646) 765-7741

www.madisoncres.com



follow us:    

“Building Successful Relationships” is our Mission.

The above information was furnished to us by sources which we deem to be reliable, but no warranty or representation is made as to the accuracy thereof. Subject to correction of errors, omissions. This article is for informational purposes only.

© 2015 WCRE All Rights Reserved