



**Tangible Property Repair vs. Capitalization Regulations:
Election Summary and Possible Accounting Method Changes (last updated 05-30-17)**

ELECTIONS UNDER THE FINAL REGULATIONS

Elections <u>not</u> requiring Form 3115	Statements required to make election	Application	Revocation Allowable?	Code Section
Capitalize certain materials and supplies (only rotatable, temporary, or standby emergency spare parts); an optional method is available	No. Election made by treatment on timely filed return (including extensions).	Rotable, temporary, or standby emergency spare parts	Only by Private Letter Ruling	§ 1.162-3(d)
De minimis safe harbor (\$5K with Applicable Financial Statements, \$500 without)	Yes. Attach statement to the taxpayer's timely filed original Federal tax return (including extensions) each year.	All eligible materials and supplies & improvements	Irrevocable for tax year elected	§ 1.263(a)-1(f)
Capitalize employee compensation and overhead as amounts that facilitate an acquisition transaction	No. Election made by treatment on timely filed return (including extensions).	Each transaction, applies to either employee compensation or overhead, or both	Only by Private Letter Ruling	§ 1.263(a)-2(f)(iv)(B)
Safe harbor for small taxpayers with buildings (less than \$10M in gross receipts, unadjusted building basis is less than \$1M)	Yes. Attach statement to the taxpayer's timely filed original Federal tax return (including extensions) each year.	Only apply if <u>total</u> costs < \$10,000 or 2% of the unadjusted building basis	Irrevocable for tax year elected	§ 1.263(a)-3(h)
Capitalize repair and maintenance costs (must be consistent with financial statements)	Yes. Attach statement to the taxpayer's timely filed original Federal tax return (including extensions) each year.	All repair and maintenance costs capitalized for financial accounting purposes	Irrevocable for tax year elected	§ 1.263(a)-3(n)
Partial Disposition Election (see below for <u>Late</u> Partial Disposition Election)	No. Election made by treatment on timely filed return (including extensions).	Any type of MACRS property	Only by Private Letter Ruling	§ 1.168(i)-8(d)

FINAL REGULATIONS - Rev. Proc. 2015 -14

Change #	General Topic	Specific Purpose	481(a) Adjustment	Stat Sampling Addressed?	Regulation	Notes	Concurrent Change on One Form 3115?
184	Repair and maintenance costs, amounts for improvements to tangible property	To deduct amounts for repair and maintenance or to capitalize amounts for improvements to tangible property and, if depreciable, to depreciating under §167 or §168. Includes a change, if any, in the method of identifying the unit of property, or in the case of a building, identifying the building structure or building systems for the purpose of making this change.	YES	YES	Reg. § 1.162-4, 1.263(a)-3	No timing restrictions, Taxpayers are expected to comply for tax years beginning 1/1/2014	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
185	Regulatory accounting method	Change to the regulatory accounting method.	Cut-Off	NO	Reg. § 1.263(a)-3(m)	No timing restrictions since this is optional.	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
186	Non-incident materials and supplies	Change to deducting non-incident materials and supplies when used or consumed.	Cut-Off	NO	Reg. § 1.162-3(a)(1), Reg. § 1.162-3(c)(1)	No timing restrictions, expected to comply for tax years beginning 1/1/2014	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
187	Incidental materials and supplies	Change to deducting incidental materials and supplies when paid or incurred.	Cut-Off	NO	Reg. § 1.162-3(a)(2), Reg. § 1.162-3(c)(1)	No timing restrictions	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
188	Non-incident rotatable and temporary spare parts	Change to deducting non-incident rotatable and temporary spare parts when disposed of.	Cut-Off	NO	Reg. § 1.162-3(a)(3), Reg. § 1.162-3(c)(2)	No timing restrictions, expected to comply for tax years beginning 1/1/2014	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
189	Optional method for rotatable and temporary spare parts	Change to the optional method for rotatable and temporary spare parts.	YES	YES	Reg. § 1.162-3(e)	No timing restrictions since this is optional.	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
190	Commissions and other transaction costs that facilitate the sale of property (DEALER).	Change by a dealer in property to deduct commissions and other transaction costs that facilitate the sale of property.	YES	YES	Reg. § 1.263(a)-1(e)(2)	No timing restrictions, expected to comply for tax years beginning 1/1/2014	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
191	Commissions and other costs that facilitate the sale of property (NON-DEALER)	Change by a non-dealer in property to capitalizing commissions and other costs that facilitate the sale of property.	YES	YES	Reg. § 1.263(a)-1(e)(1)	No timing restrictions, expected to comply for tax years beginning 1/1/2014	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
192	Capitalizing acquisition or production costs	To capitalize acquisition or production costs and, if depreciable, to depreciating under section 167 or 168 / A change to capitalize inherently facilitative amounts allocable to real or personal property even if the property is not eventually acquired.	YES / Cut-Off	YES / NO	Reg. § 1.263(a)-2 / Reg. § 1.263(a)-2(f)(3)(ii)	No timing restrictions, expected to comply for tax years beginning 1/1/2014	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.
193	Costs for investigating or pursuing the acquisition of real property	Change to deducting certain costs for investigating or pursuing the acquisition of real property (whether and which).	Cut-Off	NO	Reg. § 1.263(a)-2(f) (2)(iii)	No timing restrictions, expected to comply for tax years beginning 1/1/2014	Can be combined with Changes #184 through #193 from section 10.11 of Rev. Proc 2015-14.



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FINAL DISPOSITION REGULATIONS - Rev. Proc. 2015-14

Change #	General Topic	Specific Purpose	481(a) Adjustment	Stat Sampling Addressed?	Regulation	Timing	Concurrent Change on One Form 3115?
180	Late GAA election	To make a late General Asset Account (GAA) election; Late election to recognize gain or loss upon disposition of all assets, the last asset, or the remaining portion of the last asset; Late election to recognize gain or loss upon disposition of assets in a qualifying disposition.	Cut-Off	NO	Reg. § 1.168(i)-1; Reg. § 1.168(i)-1(e)(3)(ii); Reg. § 1.168(i)-1(e)(3)(iii)	Tax year beginning on or after 1/1/2012 and beginning before 1/1/2014 – May require single Form 3115 if filed with other changes.	Should file one form 3115 for all assets that are subject to the GAA election
196	Late partial disposition election for MACRS Property (not in GAA)	Change to make a late partial disposition election for a portion of an asset. Used for most dispositions of building structural components (not listed in § 1.168(i)-8(d)(1))	YES	NO	Reg. § 1.168(i)-8	Tax year beginning on/after 1/1/2012 and before 1/1/2015 § 1.168(i)-8(d)(2)(i) - or- 1st or 2nd tax year succeeding applicable tax year § 1.168(i)-8(d)(2)(iv)(B)	Can combine with Change #7 (Depreciation) for the same asset in tax years before January 1, 2015
197	Revocation of GAA election	Change to revoke a General Asset Account (GAA) election.	YES	NO	Reg. § 1.168(i)-1	Tax years beginning on or after 1/1/2012 and beginning before 1/1/2015.	See RP 2015-14 Sec 6.34 for list of possible combinations.
198	Partial dispositions of tangible depreciable assets to which the Service's adjustment pertains (not in GAA)	Change to make partial dispositions of tangible depreciable assets to which the Service's adjustment pertains.	YES	NO	Reg. § 1.168(i)-8(d)(2)(iii)	Applicable when audited by IRS	Should file one form 3115 for all assets that are being changed under this section
199	Depreciation of leasehold improvements	Change to comply with § 1.167(a)-4 for leasehold improvements in which the taxpayer has a depreciable interest at the beginning of the year of change.	YES	NO	Reg. § 1.167(a)-4	No timing restrictions, Taxpayers are expected to comply for tax years beginning 1/1/2014	Can combine with certain UNICAP changes. See RP 2015-14 Sec 6.36
200	Permissible-to-permissible accounting method for depreciation of MACRS property	Various changes involving permissible to permissible method of accounting for depreciable MACRS property. Applies to assets in GAA, Single Asset Accounts or Multiple Asset Accounts, and dispositions of property not in a GAA. (change in method of determining the unadjusted depreciable basis of the disposed portion of an asset from one reasonable method to another)	Cut-Off	NO	Regs. § 1.168(i)-1(c); § 1.168(i)-1(j)(2); § 1.168(i)-1(j)(3); § 1.168(i)-7; § 1.168(i)-7(c); § 1.168(i)-8(f)(2) or (3); § 1.168(i)-8(g)	Tax years beginning on or after 1/1/2012 and beginning before 1/1/2015.	See RP 2015-14 Sec 6.37 for list of possible combinations.
205	Disposition of a building or structural component (not in a GAA)	Changes involving disposition of a building or structural component not in a General Asset Account. Typically used if a listed event occurs (see § 1.168(i)-8(d)(1)); e.g. Casualty event, like kind exchange.	YES	YES	Reg. § 1.168(i)-8(c)(4); Reg. § 1.168(i)-8(f)(2) or (3); Reg. § 1.168(i)-8(g); Reg. § 1.168(i)-8(h)(1)	No timing restrictions, expected to comply for tax years beginning 1/1/2014. May require single Form 3115 if filed with other changes.	Can combine with Change #7 (Depreciation) for the same asset in tax years before January 1, 2015
206	Dispositions of tangible depreciable assets (other than a building or its structural components) (not in a GAA)	Changes involving dispositions of tangible depreciable assets (other than a building or its structural components) not in a General Asset Account.	YES	YES	Reg. § 1.168(i)-8(c)(4); Reg. § 1.168(i)-8(f)(2) or (3); Reg. § 1.168(i)-8(g); Reg. § 1.168(i)-8(h)(1)	No timing restrictions – May require single Form 3115 if filed with other changes.	Can combine with Change #7 (Depreciation) for the same asset in tax years before January 1, 2015
207	Dispositions of assets (in a GAA)	Various changes from impermissible to permissible methods involving disposition of tangible assets or portion of tangible assets in a General Asset Account.	YES	NO	Reg. § 1.168(i)-1(e)(2)(viii); Reg. § 1.168(i)-1(j)(2); § 1.168(i)-1(j)(3)	No timing restrictions, Taxpayers are expected to comply for tax years beginning 1/1/2014	Can combine with Change #7 (Depreciation) for the same asset in tax years before January 1, 2015

Other Notable Accounting Method Changes for Consideration Rev. Proc. 2015-14

Change #	General Topic	Specific Purpose	481(a) Adjustment	Stat Sampling Addressed?	Regulation	Timing	Concurrent Change on One Form 3115?
7	Depreciation or amortization (impermissible)	Change from an impermissible method to a permissible method for changes allowed under Regulations section 1.446-1(e)(2)(ii)(d), and for depreciable property owned at the beginning of the year of change.	YES	NO	Reg. § 1.446-1(e)(2)(ii)(d)	No timing restrictions.	
21	Removal Costs	Treatment of removal costs in disposal (entire or partial) of a depreciable asset	YES	NO	Reg. § 1.263(a)-3(g)(2)(i)	No timing restrictions, expected to comply for tax years beginning 1/1/2014	Use a separate Form 3115 in accordance with the automatic change procedure described in Appendix Section 10.03(1) of Rev. Proc. 2015-14

Cut-off method: use old accounting method for years prior to effective date and use new accounting method for items after the effective date.

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