

Fixed Asset Capitalization Review

A Fixed Asset Capitalization Review evaluates a company's federal tax depreciation schedule over the last 15 years to identify assets that have been misclassified and are being written off over a longer period than necessary. The goal is to reclassify them into appropriate shorter tax lives or as a repair and maintenance expense.

While a cost segregation study focuses on buildings and large improvements, a Fixed Asset Capitalization Review encompasses all fixed assets a company owns including real property, machinery, furniture, fixtures, and equipment. Misclassifications are generally caused due to:

- Companies using "book" lives for tax purposes
- Changes to case law and lack of in-depth knowledge needed by the taxpayer
- Lack of understanding on how assets may be interrelated
- Misapplication of the appropriate tests to determine correct treatment

A proper Fixed Asset Capitalization Review requires not only tax expertise, but also an understanding of engineering and construction concepts. Our team of engineers will visit your locations to inspect assets, identify their use and function, interview your team, and review supporting documentation.

Benefits

Current laws allow for a taxpayer to correct these errors and realize any missed deductions in the current tax year. Other benefits include accurate reporting of book-tax differences and accurate tax filings.

Who makes a good candidate?

While anyone can take advantage of these rules, clients that stand to benefit most have significant annual expenditures in real property improvements.

- Retail, Hotel, Supermarket, Restaurants and Banks with more than 10 locations
- Franchise operations requiring corporate rebranding/re-imaging
- Manufacturing Operations
- Utility Companies



"The new rules for Repair vs. Capitalization had a significant impact on our tax liability"

Patrick T. , CFO

The Process

Under current Revenue Procedures, the change in accounting method to reclassify previously capitalized assets or repair and maintenance expenses is considered automatic. Proper filing of the IRS Form 3115 with specific representations and documentation for each asset is needed. This change in accounting method can be filed any time before the extended tax return due date in the year of change.

Get Started Today

KBKG can quickly review your Federal tax depreciation schedule to determine if there is an opportunity. To get started, please contact us at 1.877.525.4462