KBKG Tax Insight: IRS provides 1 year extension to claim missed repair deductions on 2015 returns

The recently released Rev. Proc. 2016-29 details new procedures for automatic accounting method changes, as discussed in a previous KBKG Tax Insight, and effectively provides a one year extension for taxpayers to implement many portions of the Tangible Property Regulations (TPR).

Taxpayers are generally not permitted to make an automatic method change if they made a change for the same item within the previous five tax years. The "5-year rule" was waived under Rev. Proc. 2015-13 for implementing TPR changes for any tax year beginning before January 1, 2015. This gave taxpayers (who may have early adopted the Temporary Regulations) the ability to unwind or correct previous TPR related accounting method changes. Rev. Proc. 2016-29 further extends this waiver to any tax year beginning before January 1, 2016, effectively providing a one year extension to comply with the TPR.

> **KBKG Insight:** In order to meet minimum compliance requirements, many taxpayers filed zero change 3115s for 2014 tax returns because they did not have time to scrub their depreciation schedules for missed repair deductions. These taxpayers should now consider filing another 3115 for the 2015 tax year to claim those missed deductions under the final Tangible Property Regulations. This also applies to those who filed 3115s and claimed some, but not all, missed repair deductions from prior tax years.

It is important to note that Late Partial Dispositions (DCN #196) are not affected by the 5-year rule waiver since this automatic accounting method change is not allowed for tax years beginning on or after January 1, 2015.

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