

KBKG Tax Insight: IRS provides extension to claim missed repair deductions on 2016 returns

The recently released IRS Notice 2017-6 extended a special eligibility rule for taxpayers making an automatic change of accounting method providing an opportunity to continue to take advantage of the Tangible Property Regulations (TPRs) on 2016 tax returns.

KBKG Insight: Current rules under Rev. Proc. 2015-13 prevent taxpayers from making an automatic change in accounting method for the same item more than once in a five-year period. This “5-year rule” will not apply to changes made for tax years beginning before January 1, 2017 allowing taxpayers who are still discovering they need to make additional changes to comply with those regulations without needing IRS consent.

Background

Notice 2017-6 modifies the applicable sections of Rev. Proc. 2016-29 to extend the waiver of the eligibility rule under section 5.01(1)(f) of Rev. Proc. 2015-13 for one year to any taxable year beginning before January 1, 2017. The applicable sections are:

- Section 6.14, relating to a change from a permissible to another permissible method of accounting for depreciation of MACRS property under § 1.168(i)-1, § 1.168(i)-7, and § 1.168(i)-8, as applicable - Accounting Method Change 7;
- Section 6.15, relating to a change in method of accounting for dispositions of a building or structural component under § 1.168(i)-8 - Accounting Method Change 205;
- Section 6.16, relating to a change in method of accounting for dispositions of tangible depreciable assets (other than a building or its structural components) under § 1.168(i)-8 - Accounting Method Change 206;
- Section 6.17, relating to a change in method of accounting for dispositions of tangible depreciable assets in a general asset account under § 1.168(i)-1 - Accounting Method Change 207; and
- Section 11.08, relating to changes in methods of accounting for tangible property under the final tangible property regulations - Accounting Method Change 184.

» [View the entire Notice 2017-6](#)

Resources

Below are supplemental aides to help you take advantage of the Tangible Property Repair Regulations. For additional tools, please visit KBKG.com/resources.

KBKG Repair vs. Capitalization Decision Tree

Summary of how to determine whether an expenditure to tangible property is a repair expense or should be capitalized. » [KBKG Repair vs. Capitalization Decision Tree](#)

KBKG UOP & Major Component Chart for Buildings

Identifies building systems and typical "major components" in real estate assets.

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