



Repair & Maintenance Study (263(a))

Benefits of a Repair & Maintenance Study (263(a))

After years of controversy over what expenses related to tangible property are eligible for deduction and which must be capitalized, the IRS issued comprehensive Repair Regulations. These regulations went into effect in 2014.

The good news is an end to the gray areas that existed over what improvements and repairs to tangible property could be expensed and which had to be capitalized. The bad news? The regulations take up more than 200 pages covering:

- + Production and acquisition of tangible property
- + Materials and supplies
- + Improvements of tangible property
- + Repairs and maintenance

For businesses that made investments to acquire, maintain, replace or repair tangible property that they own or lease, the regulations will require a new level of expertise in tax issues and a knowledge of building components and their classification.

How Your Company Benefits

The new regulations created a number of new tax elections for businesses and simplified others. Among the significant changes:

- + The ability to write-off structural building components if they are removed before fully depreciated.
- + A safe harbor rule allowing taxpayers to deduct repair expenses if they expect to conduct the same repair again in less than 10 years; also, taxpayers that capitalized these expenses in the past may still be able to expense them.
- + Deductibility of removal costs if the taxpayer realizes a gain or loss on disposal of the property.

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About Maloney + Novotny

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These are a few examples. There are significantly more regulations that may benefit taxpayers, including de minimis safe harbor rules for small businesses, redefinition of “betterment” and new regulations for determining invoice pricing. Taking the deductions your company is allowed under the new regs will, in many cases, require analysis of an expert in tangible property.

Who Is Eligible

Business owners in every industry are eligible if they acquired tangible property or conducted repairs, improvements or maintenance on tangible property they own or lease. Taxpayers who use their tangible property for a year before beginning improvements may benefit the most.

How We Can Help

The regulations governing repair vs. capitalization are numerous and complex. They also require an understanding of building components and repair protocols and processes. We can help clients determine their eligibility to expense activities they may have capitalized in the past and assist them in capturing overlooked deductions. Findings will be laid out in a customizable report.



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