

Tangible Asset Regulations Part 1: Why Do They Matter?



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This is the first in a six-part series of emails that will provide an overview of the new tangible asset regulations that were finalized in late 2013. These are generally effective for tax years beginning after **1/1/14**; as we approach year-end, there may be planning opportunities or required changes due to these new regulations.

These regulations impact ANY taxpayer that has **capitalized assets or supplies**, so almost everyone will be impacted somewhat by these rules. In general, there are five areas that will impact most taxpayers:

1. De minimis safe harbor rules
2. Materials & supplies
3. Unit of Property: functionally interdependent
 1. Building systems – now a separate structural component and what that means
4. Unit of Property:
 1. Non-building
5. Repairs vs. improvements – 3 tests

We will summarize each of these areas over the next five weeks, and hopefully provide guidance on potential action items that need to be addressed prior to year end.

Also of note: Additional guidance was issued recently which has extended the ability to take a late partial disposition election in 2014.

What this means to you: If you own a building that has recently had renovations or improvements, you may be eligible to claim a loss on the cost basis of the component that was replaced, removed or disposed of in prior years.

If you want additional information or have questions, please contact Faith Crump at fcrump@deandorton.com or 502-56050.

[View Faith Crump's Bio](#)