

THE FINAL TANGIBLE PROPERTY REGULATIONS

Effective for tax years on or after January 1, 2014

I ACQUISITION COSTS
See flowchart #I

II REPAIR & MAINTENANCE (R & M) COSTS
Costs Paid to Repair, Maintain or Improve a Unit of Property (UoP) [Reg. Sec. 1.263(a)-3] [1.162-4]

III DISPOSITION COSTS
See flowchart #III

Identify Unit of Property (UoP) [Reg. Sec. 1.263(a)-3(c)]

Buildings [Reg. Sec. 1.263(a)-3(e)(2)]
Owned (All or Portion)
Leased (All or Portion)

Property Other Than Buildings [Reg. Sec. 263(a)-3(e)(3)]
All Personal Property, plus Land, plus Land
Improvements, plus Leasehold Improvements

Conforming UoP
is recommended
for Depreciation
Schedule and BAR
Standards Purposes

Building 27.5/39 Year Life

Optional Cost Segregation
5 year/7 year/15 year life
Converts to Property Other Than Buildings

Depreciation Schedule
Purposes

Repair vs. Improvement
BAR Standards Purposes

General Rule – Functional
Interdependence Standard
[Reg. Sec. 1.263(a)-3(e)(3)(i)]

Special Rules
Applied in Addition to General Rule

Single Unit of
Property

Building Structure

BAR Standards
Betterments
Adaptations
Restorations
See next page

Components in Separate Depreciation Classes under Sec.
168 [Reg. Sec. 1.263(a)-3(e)(5)]

OR

Plant Property [Reg. Sec. 1.263(a)-3(e)(ii)]
Discrete and Major Function Test

OR

Network Assets [Reg. Sec. 1.263(a)-3(g)(3)(iii)]
Pipelines, Railroad Tracks, Powerlines

OR

Leased Personal Property and Leasehold Improvements
(interiors) [Reg. Sec. 1.263(a)-3(e)(3)(iv)]

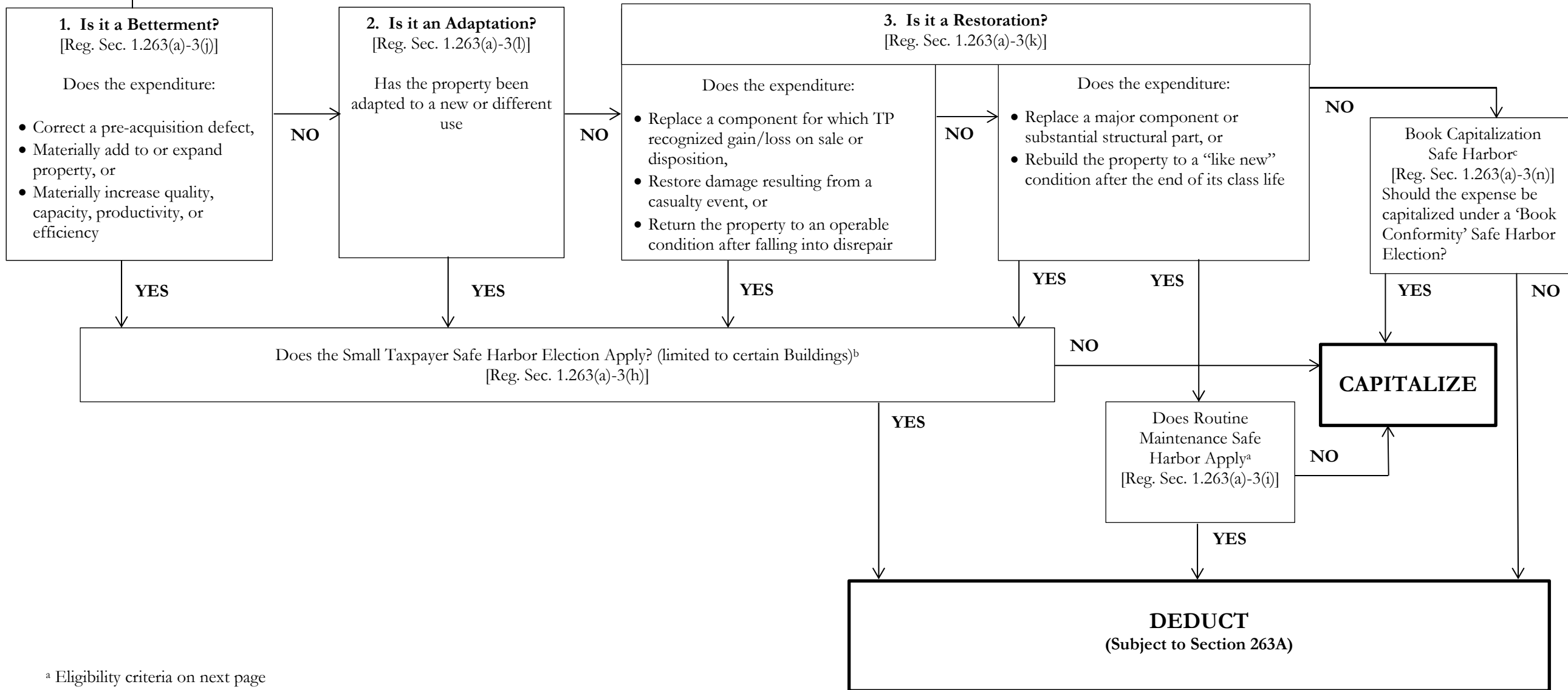
OR

Improvement to a UoP adds to existing UoP
[Reg. Sec. 1.263(a)-3(e)(4)]

- Building Systems
1. HVAC
 2. Plumbing
 3. Electrical
 4. All Escalators
 5. All Elevators
 6. Fire Protection & Alarm System
 7. Security System
 8. Gas Distribution System

Repairs vs. Improvements [Reg. Sec. 1.263(a)-3]:

Ask three questions under the BAR Standards only if R & M costs exceed De Minimis Safe Harbor elected amount
Note: BAR Standards DO NOT apply to Acquisitions or Material/Supplies
Note: De Minimis Safe Harbor Election ALSO applies to R & M costs



^a Eligibility criteria on next page

^b Eligibility and election criteria on next page

^c Election criteria on next page

