

The New Repair Regulations...

What Now?

Presented By:

Michael D. Koppel, CPA, PFS



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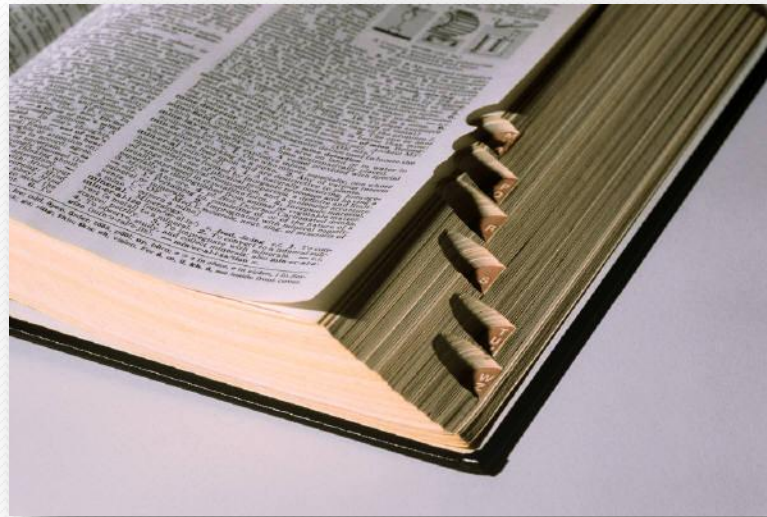
Today's Presenter



Michael D. Koppel, CPA, PFS
mkoppel@gggcpas.com

PROPOSED AND TEMPORARY REGULATION

What does this mean?



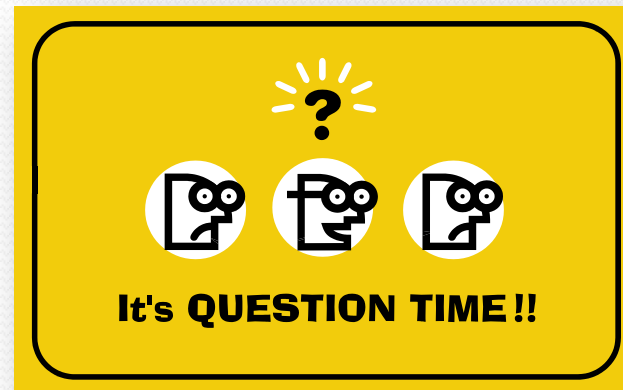
WHY IS THIS IMPORTANT?

Decrease in IRC §179

Decrease in bonus depreciation

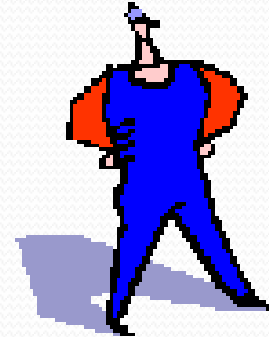
Loss of 15 year life –

LHI, restaurants & retail



REQUIRED BUILDING SYSTEMS

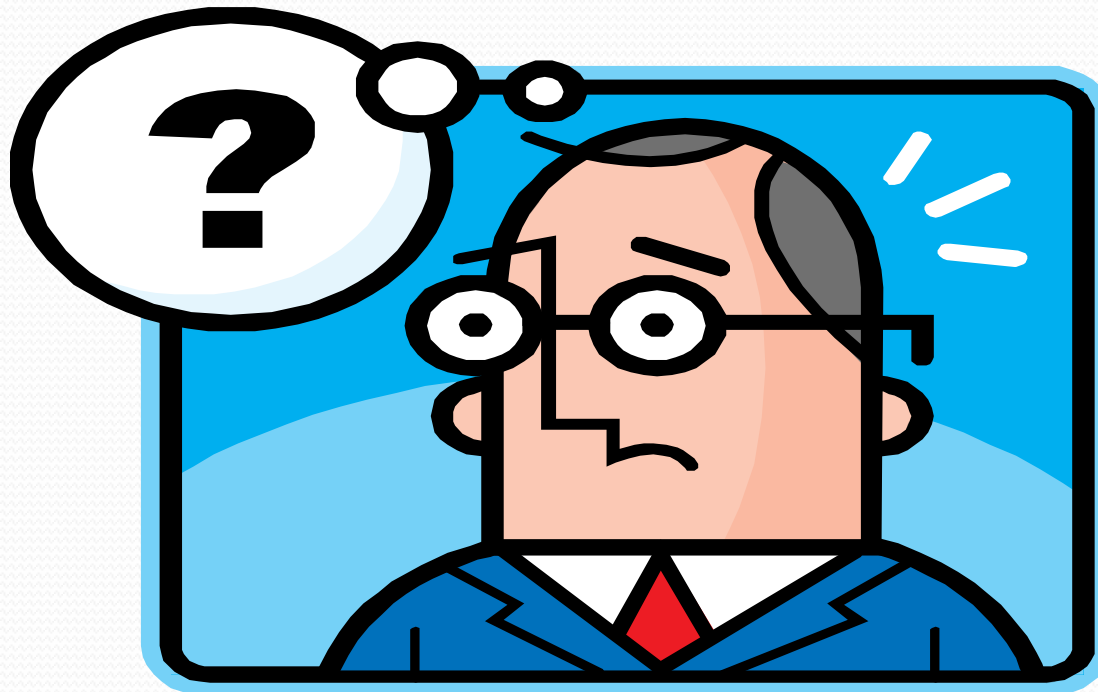
- Plumbing systems
- HVAC
- Electrical systems
- All escalators
- All elevators
- Fire protection and alarm systems
- Security systems
- Gas distribution systems
- Any other systems defined in published guidance



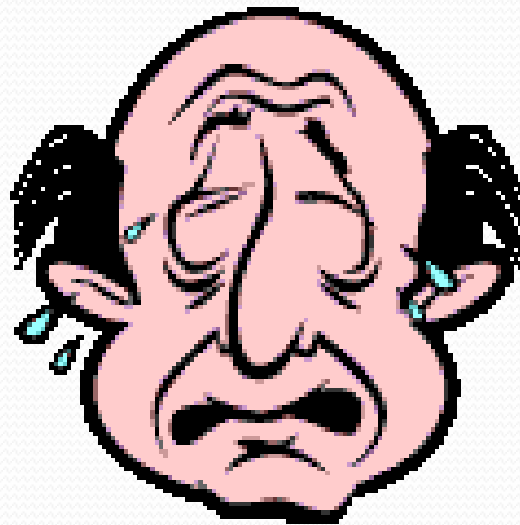
ROOF?



If the expenditure is an improvement to a component, it must be treated as part of the building.



MORE LIKELY TO REQUIRE CAPITALIZATION



DISPOSITIONS?


IMPORTANCE OF SEGREGATION!





SAME COST SEGREGATION STUDY

LEASEHOLD IMPROVEMENTS



Treated as
new
unit of
property

TANGIBLE PERSONAL PROPERTY

**All components that are
functionally interdependent**



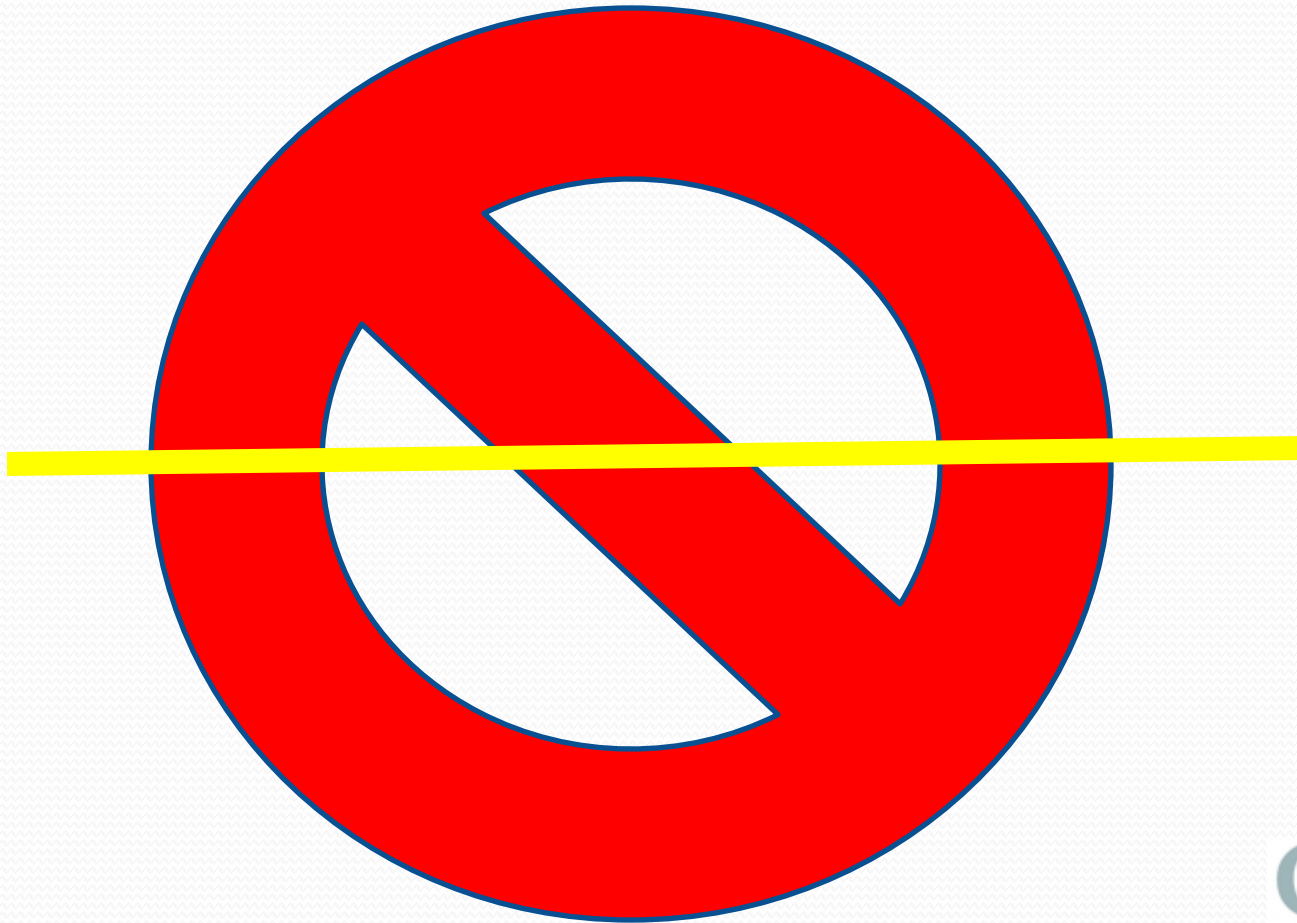
BETTERMENT?

- **Fixes a material condition or defect**
- **Results in a material addition (including a physical enlargement, expansion, or extension); or**
- **Results in a material increase in capacity (including additional cubic or square feet), productivity, efficiency, strength, or quality of the unit of property or the output of the unit of property.**

BETTERMENT?

- The payment results in a betterment
- Restores the property to its original condition
- Adapts the property to a new or different use

NO BRIGHT LINE TEST!



DE MINIMIS TEST

Applicable financial statement!

- $\geq 1\%$ of gross receipts for year
- $\geq 2\%$ of depreciation on financial statement



MATERIALS & SUPPLIES

\$100 De Minimis definition of materials and supplies



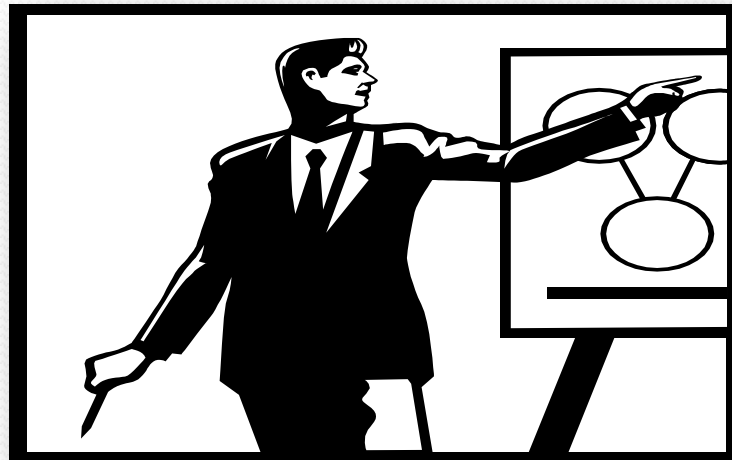
MATERIALS & SUPPLIES

- **Useful life of less than 12 months**
- **Repair, maintain, or improve a unit of property**
- **Rotatable parts and temporary spare parts**

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Questions?



Michael D. Koppel, CPA, PFS
mkoppel@gggcpas.com

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Michael D. Koppel, CPA, CPFS is a Certified Public Accountant in Massachusetts and is a partner at Gray, Gray & Gray, LLP.



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34 Southwest Park, Westwood, MA

781.407.0300

www.gggcpas.com

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