THE OHIO SOCIETY OF CPAs

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Youngstown State University

YSU CPE Day

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Research Credit Group

The New Repair Regulations: How to Win With Losses

Session #002

Upcoming Events

Cleveland Spring CPE Conference – May 23, 2014– Course #46375

A whole new CPE season starts with the beginning of spring, and our annual Cleveland Spring CPE Day Conference is a fantastic way to get all the latest news you can use on a variety of topics important to you and your profession. There is so much happening with new regulations, the new health care law and the competitive environment continues to be a strain on all businesses, and with the ability to get information from virtually anywhere, it's hard trying to cut through it all to get to what you need to know. Join us at the Cleveland Spring CPE Day conference and let us help make that easier by providing you with the information you need, from the experts you know, and the industry leaders you trust. Plus it's a great time to network with your peers and satisfy your three-hour ethics requirement. Being close to home with great topics and great speakers this event has it all.

Akron Spring CPE Day– June 27, 2014 – Course #46391

Join OSCPA for one of the most popular CPE events in Northeast Ohio. The 2014 Akron Spring CPE Day conference is coming soon and it's the place to be to get information on just about anything, anytime from a variety of sources. At this conference we're going to help make that process easier by providing you with the information you need on the topics important to you and your industry. This is a great opportunity to learn from the experts and industry leaders you know and trust, plus you can satisfy your three-hour ethics requirement and network with your peers.

· ***Be sure to visit the Events Catalog at store.ohioscpa.com for more continuing education opportunities.***

What Services Do You Offer?

At RCG, we specialize in tax credits and incentives. Our three specialty fields are:

1. **The R&D Tax Credit**
2. **Repair & Disposition Studies**
3. **Cost Segregation Studies**

The New Repair Regulations

The New Repair Regulations

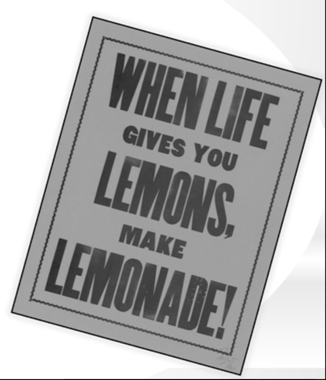
- Why New Repair Regulations
- UOP - Unit of Property
- Cost Segs vs. Repair Regs
- General Asset Accounts
- Disposal of MACRS Property
- Property Improvements - BAR
- De Minimis Rule & Safe Harbors

Why New Repair Regs?

To provide **Bright-Line Tests** for applying the standards for capitalization of specific expenses associated with tangible property

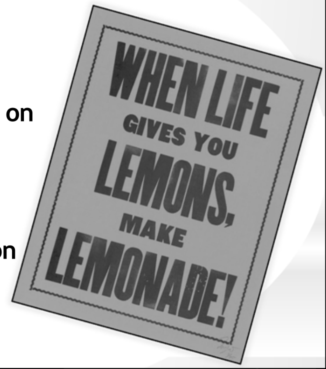
Repairs – Reg. §1.162-4
Amounts paid for repairs and maintenance to tangible property are deductible if the amounts paid are not required to be capitalized under Reg. §1.263(a)

Final regulations establish rules for determining whether an amount **improves, betters, or restores property, including the unit of property.**



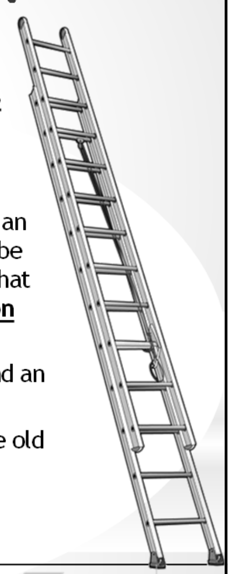
What's It All About?

- Dictate **when costs** incurred in repairing, improving, acquiring or maintaining tangible property **must be capitalized vs. expensed**
- Set the new standard for determining deductible expense or a capital improvement
- Strictly limit those items that can be expensed
- Provide disposition rules to determine when a taxpayer **may or must** **claim loss deductions on asset replacement**
- Provide taxpayer guidelines for using General Asset Accounts to manage dispositions
- **They allow you to recover losses on disposition in lieu of double depreciation**



The New Repair Regulations

What's In It For ME ?



The New Repair Regulations allow you to recover losses on disposition in lieu of double depreciation…

- The retirement of a structural component on an MACRS building can now be treated as a disposition that results in a **loss deduction**
- You no longer have to depreciate a new roof and an old roof simultaneously
- You can now write off the old roof as a loss

The New Repair Regulations

When Will The Repair Regulations Take Effect?

- The Temporary Regulations were issued on December 23, 2011
- The Final Regulations for sections 162 and 263 were issued and published September 19, 2013
- They are generally effective for **taxable years beginning on or after January 1, 2012**
- The method change Revenue Procedures were issued on March 7, 2012
- On March 15, 2012, the IRS issued a directive to cease and suspend all exam activities giving taxpayers time to adapt new procedures
- The Repair Regulations will be applied in exams **in full force** beginning **January 1, 2014**

Unit of Property – or UOP

Prior regulations treated a Unit of Property (UOP) as a building and its structural components. In general, the current regulations do, too. But it's gotten a little trickier. Here's why:

- The standard to determine whether or not something constituted a repair or improvement, and was, therefore, deductible or depreciable, was the **impact it had on the UOP as a whole**.
- **It's all about percentages**. Before, a roof replacement or an HVAC system repair may have been **a less than substantial** portion of the UOP's value since the UOP was an entire building. So people took these replacements and repairs as deductions.
- Section 263(a) makes expensing a lot more difficult.

The Unit of Property

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Well Connected

The Unit of Property is now broken out into :

1. Building & Structural Components
2. Building Systems

Building & Structural Components

- Walls
- Partitions
- Windows
- Roofs
- Chimneys
- Stairs
- Doors
- Fire Escapes
- Floors and Ceilings
- Any Permanent Coverings such as paneling or tiling
- Other Components relating to building operation or maintenance

The Unit of Property

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Well Connected

Building Systems include:

- HVAC Systems
- Plumbing Systems
- Electrical Systems
- Escalators
- Elevators
- Fire Protection & Alarm Systems
- Security Systems
- Gas Distribution Systems
- Other Systems identified in published guidance

The Unit of Property

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General Asset Account Elections

General Asset Account Elections

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Depreciation Groupings

- **Single Asset Accounts (SAA)**
- **Multiple Asset Accounts (MAA)**
- **General Asset Accounts (GAA)**

GAA accounts are optional and must be elected. Under default rules, you may also use SAA or MAA accounts. They are both non-elective.

- SAAs account for each asset separately for disposition purposes.
- MAAs are informal groupings where no statement is required. MAA assets have same depreciation method, recovery period, in service year, and convention. They must be grouped with similar assets.

- Assets in MAA accounts to be disposed of must be removed from MAA and placed in SAA on the first day of the tax year of disposition. Taxpayer stops depreciating asset and recognizes gain or loss on adjusted basis.

The NEW GAA

Under the new disposition rules, each structural component or building system is an asset for disposition purposes. You may set up multiple GAA accounts for each system or component.

- Assets grouped into new **GAA accounts must include only assets that have the same: depreciation method; recovery period and convention; and are placed in service in the same taxable year**
- Assets eligible for additional first year depreciation deduction may only be grouped with assets eligible for the same
- You may dispose of GAA assets by electing termination of the GAA
- You may elect upon a qualifying disposition to identify and remove a single asset from the GAA and recover its adjusted basis as a loss
- The GAA's unadjusted depreciable basis and reserve will be adjusted
- **GAA ELECTION MUST BE MADE - Form 4562, Line 18**

MACRS General Asset Accounts (GAA)

Why is GAA Election Important?

- Disposition rules trump betterment and restoration capitalization standards
- If you don't elect GAA, you must capitalize replacement
- If you don't elect GAA, you must write off disposed asset
- If you elect GAA, you can decide whether to capitalize using the betterment and restoration standards
- If you elect GAA, you can decide whether to write off disposed assets
- **GAA ELECTION MUST BE MADE** - Form 4562, Line 18

Making a GAA Election

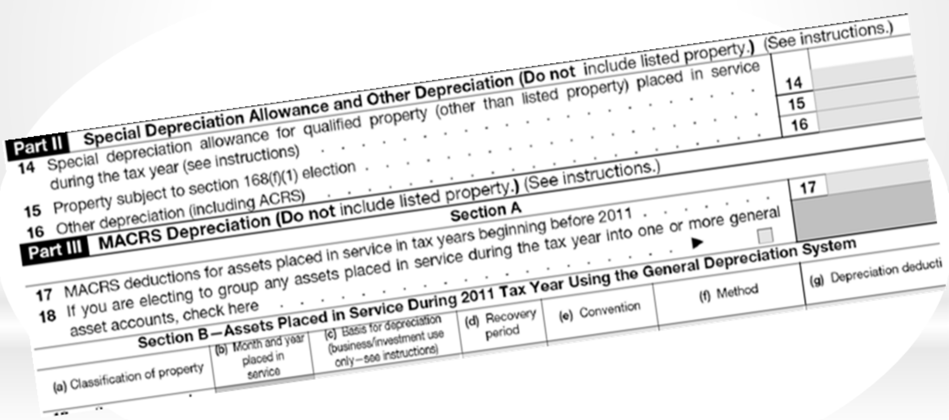
Manner of making election. In the year of election, a taxpayer makes the election under this section by typing at the top of the Form 4562, "GENERAL ASSET ACCOUNT ELECTION MADE UNDER SECTION 168(i)(4)," or in the manner provided for on Form 4562 and its instructions.

Records Maintenance Example: "General Asset Account #1—all 1995 additions in asset class 00.11 for Salt Lake City, Utah facility") that identify the assets included in each general asset account, that establish the unadjusted depreciable basis and depreciation reserve of the general asset account, and that reflect the amount realized during the taxable year upon dispositions from each general asset account.

GAA Late Election Method Changes

- Late GAA election must be made for taxpayer's 1st or 2nd taxable year beginning after December 31, 2011
- Late elections will only be treated as accounting method changes for the 1st or 2nd taxable year beginning after December 31, 2011
- Section 481(a) adjustment must be made
- Taxpayers may make a late GAA election for MACRS property placed in service in years beginning before January 1, 2012
- Statement required specifying assets included in Method Change
- File form 3115, Automatic Change of Accounting Method

Disposal of MACRS Property


Part II **Special Depreciation Allowance and Other Depreciation (Do not include listed property.)** (See instructions.)
14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year (see instructions) . . . 14
15 Property subject to section 168(f)(1) election . . . 15
16 Other depreciation (including ACRS) . . . 16
Part III **MACRS Depreciation (Do not include listed property.)** (See instructions.)
Section A
17 MACRS deductions for assets placed in service in tax years beginning before 2011 . . . 17
18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here . . . ▶
Section B—Assets Placed in Service During 2011 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deducti

Finding $$$ In The Trash

You can now treat structural component retirements on MACRS property as dispositions and take a loss.

- ❖ Dive for those dispositions and pull them out of the capitalization bin!
- ❖ Repairs can be trashed; not capitalized
- ❖ How you go about disposition is determined by whether or not you have a GAA , MAA or SAA in place
- ❖ Taxpayers can remove cost of the old component from depreciable basis of the building and recognize a loss on abandonment
- ❖ How do you determine value of component prior to disposition?
- ❖ Any reasonable method
- ❖ Value of cost segregation analysis

Successful Retirements

- ❖ The new capitalization standards strictly limit what you can and cannot expense as a repair.
- ❖ The change in disposition rules takes some of the sting out of the less favorable ramifications of the new standards.

Example:

- ❖ Taxpayer owns a steel stamping plant, puts building in service in 2000. In 2014, he replaces **entire roof**. He capitalizes the cost of new roof and continues to depreciate the remaining basis of old roof.
- ❖ With **NO GAA**, our taxpayer determines remaining basis of old roof , recovers it as a loss in 2014 and capitalizes costs of replacement roof.
- ❖ With **GAA**, our taxpayer still capitalizes costs of replacement roof. But he can now choose between capitalization or disposition of old roof. He takes the loss on return including 481(a) adjustment. He also files a 3115 change in accounting method to comply with new rules.

Successful Retirements II

Example II:

- Taxpayer owns a steel stamping plant, puts building in service in 2010. In 2013, he replaces **20 out of 200 windows**. What are his choices based on the new repair regulations?
- With **NO GAA**, our taxpayer must determine the remaining basis in the old windows and recover them as a loss. He then must capitalize the costs of the replacement windows.
- With **GAA**, our taxpayer has choices. He is only replacing 10% of the windows. Therefore, they will not constitute a major component . If he's replacing them with similar windows, and they don't constitute a betterment, he can:

  1) Determine the remaining basis in the old windows and recover them as a loss. Then capitalize the replacement windows.

  2) Continue to depreciate the remaining basis of the old windows and deduct the costs of the new windows as a repair.

No Double Dips

Take Note:

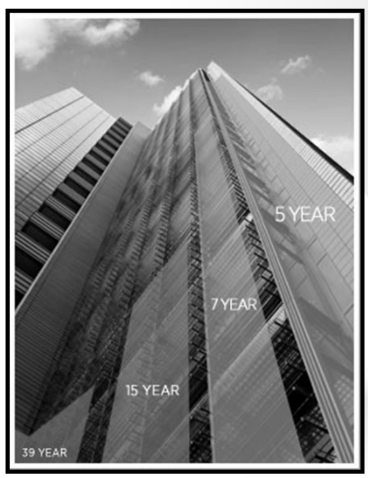
- You cannot simultaneously dispose of an item and take its replacement as a deductible repair expense
- In some instances, taxpayers will need to make a choice between disposition and repair deductions
- Cost segregation analysis can help taxpayers accurately determine unadjusted depreciable basis of assets to help make these decisions
  - If taxpayers elect cost segregation analysis to help with asset valuation, they should ask for break out of 1250 real property for future R&M and disposition purposes

Cost Segregation Study
vs
Repair Regs Study

What is Cost Segregation?

Cost Segregation

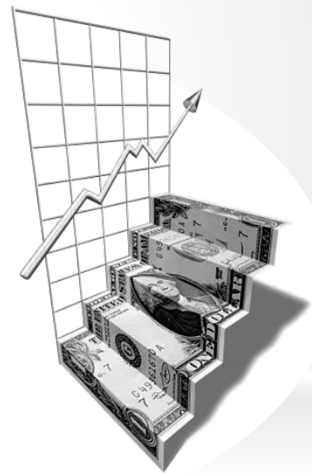
- ❖ A Cost Segregation Study is an in depth cost study and analysis of commercial real estate holdings
- ❖ Identification and reclassification of personal and real property assets
- ❖ A method to shorten certain building cost depreciation lives from 27.5 or 39 to 5, 7 and 15 years for MACRS (Modified Accelerated Cost Recovery System) purposes
- ❖ A tax planning tool for owners of commercial real estate
- ❖ Optimal time to do a study is the year a property is put into service
- ❖ Studies can be done on properties purchased or built since 1987



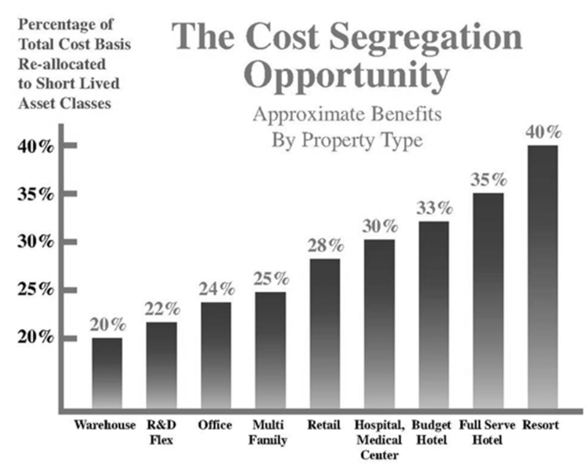
What is Cost Segregation?

Cost Segregation Benefits

- A Cost Segregation Study reduces individual or corporate federal and state tax liabilities
- Increases net present cash flow
- Establishes a base for asset disposition under the new IRS Repair Regulations
- A valuable tax planning tool for owners of commercial real estate
- Catch up on prior years' depreciation benefits in the current year
- Find money literally "under your own roof"



How Much Will I Save?



Source: Commercial Cash flow Advisors

Example

Before Cost Segregation

In-Service Date	Life	Purchase Value
6/1/2006	39 Year	$3,000,000
6/1/2006	5 Year	$0
6/1/2006	7 Year	$0
6/1/2006	15 Year	$0
6/1/2006	Land	$500,000
		$3,500,000

After Cost Segregation

In-Service Date	Life	Purchase Value
6/1/2006	39 Year	$2,200,000
6/1/2006	5 Year	$500,000
6/1/2006	7 Year	$300,000
6/1/2006	15 Year	$200,000
6/1/2006	Land	$300,000
		$3,500,000

Building & Structural Component Breakouts

Costcode	Description		Class Life	Number of Units	Total Cost Per Unit
076113100	Standing Seam Sheet Metal Roof	Structural Component	39 Year	1.00	$300,000
0761131000	Roof Membrane	Structural Component	39 Year	1.00	$60,000
0512237550	Structural Steel	Structural Component	39 Year	1.00	$100,000
0512237700	Metal Building Walls & liner panels	Structural Component	39 Year	1.00	$150,000
0521135000	Glass & Glazing	Structural Component	39 Year	1.00	$37,000
0521135001	Windows	Structural Component	39 Year	1.00	$120,000
0929100010	Drywall	Structural Component	39 Year	1.00	$30,000
0951230010	Acoustic Ceilings	Structural Component	39 Year	1.00	$20,000
0622130010	Cement plaster finish	Structural Component	39 Year	1.00	$13,000
0622130011	Stairs	Structural Component	39 Years	1.00	$70,000
0205000000	Masonry	Structural Component	39 Year	1.00	$160,000
081001130	Doors/Frames/Hardware	Structural Component	39 Year	1.00	$30,000
092910710	Bathroom Partitions & Accessories	Structural Component	39 Year	1.00	$45,000
095123300	Ceiling (plaster)	Structural Component	39 Year	1.00	$20,000
260500004	Chimney	Structural Component	39 Year	1.00	$120,000
					$1,275,000

Building System Breakouts

Costcode	Description		Class Life	Number of Units	Total Cost Per Unit
221000000	Plumbing	Building System	39	1.00	$150,000
221000000	Rough plumbing	Building System	39	1.00	$30,000
221000000	Plumbing fixtures	Building System	39	1.00	$15,000
221000000	Plumbing - lift station	Building System	39	1.00	$10,000
237000000	HVAC - Office	Building System	39	1.00	$100,000
237000000	HVAC - Service Garage	Building System	39	1.00	$20,000
237000000	HVAC - Manufacturing Floor	Building System	39	1.00	$40,000
237000000	HVAC - Showroom	Building System	39	1.00	$50,000
260500000	Electrical	Building System	39	1.00	$225,000
260500000	Electrical - Service Garage	Building System	39	1.00	$15,000
260500000	Electrical - Office	Building System	39	1.00	$60,000
260500000	Electrical - Showroom	Building System	39	1.00	$50,000
260500001	Elevators	Building System	39	1.00	$160,000
					$925,000

What is Cost Segregation?

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Property Improvements

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Property Improvements

The Repair Regulations' Improvement Standards require a taxpayer to capitalize amounts paid that result in the:

- ❖ **Betterment of a UOP**
- ❖ **Adaptation of a UOP to a new or different use**
- ❖ **Restoration of a UOP**

Since buildings are now broken out into building/structural components and separate building systems, the improvement standards are now applied **at a much smaller scale**, limiting what can be considered as a repair (based on a less than substantial judgment).

But how do we know if something's a betterment, adaptation, restoration or plain, old, ordinary DEDUCTIBLE repair?

Betterment

A Betterment must be capitalized. What is it? A Betterment:

- ❖ **Ameliorates a material condition or defect** that either existed prior to the taxpayer's acquisition of the property or arose during production of the UOP, regardless of whether the taxpayer was aware of the condition or defect
- ❖ **Results in a material addition** (including a physical enlargement, expansion, or extension) to the property; or
- ❖ **Results in a material increase in capacity, productivity, efficiency, strength, or quality of the UOP**

Betterment

EXAMPLE – Leaking Underground Tanks

- **Amelioration of pre-existing material condition or defect.**

  In Year 1, Taxpayer A purchases store on parcel of land with underground gas tanks. Unit of Property is the parcel of land. Tanks leaked prior to A's purchase = contaminated soil. A discovers contamination and incurs costs to remediate soil.

  BETTERMENT. Why? By definition, a Betterment ameliorates a material condition or defect that existed prior to the taxpayer's acquisition of the property **regardless of whether the taxpayer was aware of the defect**.

  BETTERMENT MUST BE CAPITALIZED.

Betterment

EXAMPLE – Asbestos Removal

- **Not amelioration of pre-existing material condition or defect.**

  Taxpayer B owns **office building containing asbestos insulation**. At time of construction, dangers from asbestos not known. Several years later, insulation deteriorates. B replaces asbestos insulation with new non-asbestos insulation. **It's no more efficient or effective than asbestos insulation**.

  NOT A BETTERMENT. Presence of asbestos insulation, by itself, not a defect. In addition, the insulation removal and replacement **did not result in a material addition to the property**; or result in a material increase in capacity, productivity, efficiency, strength, or quality of the UOP.

  B IS NOT REQUIRED TO CAPITALIZE.

Betterment

EXAMPLE – Partial Air Conditioning Replacement

❖ **Not Material Increase In Efficiency – HVAC System.**

R owns office building containing **10 roof-mounted HVAC units** including system controls and ductwork. **HVAC System is the Unit of Property.** After several years, R experiences climate control issues in various offices.

R replace 2 roof-mounted units. They eliminate climate control problems and are 10% more energy efficient than previous models. No work is performed on controls or ductwork

NOT A BETTERMENT. Why not? **Replacement of 2 units did not result in a material addition to or a material increase in the unit of property.** In addition, with only a 10% efficiency increase in 2 out of 10 units, replacement is not expected to increase capacity, productivity, efficiency, strength, or quality of the UOP.

NOT BETTERMENT - R IS NOT REQUIRED TO CAPITALIZE.

Betterment

EXAMPLE – Refreshing Retail Interior

❖ **Building Refresh**

Taxpayer F owns chain of retail stores. After several years of wear, F periodically pays to refresh look and layout of stores including:

- **Cosmetic changes** = painting and lighting relocations
- R&M including drywall repairs, damaged ceiling tile replacements
- Merchandise display reorganization

NOT A BETTERMENT. Why not? **Amounts paid are not for any material additions to, or increases in capacity of buildings' structure and systems.**

F CAN EXPENSE EXPENDITURES.

Adaptation

EXAMPLE

A taxpayer must capitalize costs incurred to adapt property to a new or different use.

- **New or different use; change in building use**

  Z is a manufacturer who has used his building for manufacturing since Year 1. In Year 30, **Z converts manufacturing building into showroom** for its business. Z removes and replaces numerous structural components to provide new layout, repaints and adds new lighting.

  ADAPTATION. The amount Z spent to convert the manufacturing building into a showroom **adapts the building structure to a new or different use** because the conversion is not consistent with Z's ordinary use of the building structure.

  Z MUST CAPITALIZE THESE EXPENDITURES.

Adaptation

EXAMPLE

- **Not a new or different use; preparing building for sale**

  R owns a building consisting of 20 retail spaces. R decides to sell building. To prepare for sale, R pays to repaint interior walls and refinish hardwood floors.

  NOT ADAPTATION. Preparing the building for sale does not constitute a new or different use for the building structure. Therefore, the amount R spent does not improve the building.

  R MAY EXPENSE THESE EXPENDITURES.

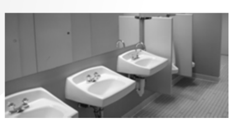
Restoration

According to Section 263(a), a restoration is an expenditure:

- That **returns the UOP to its ordinarily efficient operating condition** if the property has deteriorated to a state of disrepair and is no longer functional for its intended use;
- That results in the **rebuilding of the UOP to a like-new condition** after the end of its class life; or
- For the **replacement of a part or combination of parts that comprise a major component** or substantial structural part of a UOP

Restoration

EXAMPLE – Replace All Sinks & Toilets



- **Replacement of Major Component or Substantial Structural Part - Plumbing**

  S owns a retail building and **installs all new plumbing fixtures of similar quality and function.** He does not replace pipes. **UOP is Plumbing System.**

  RESTORATION. All of the toilets and **all** of the sinks together are a **major component and perform critical function** in the operation of the plumbing system. By definition, **restorations are the replacement of a part or combination of parts that comprise a major component** or substantial structural part of a UOP. S must treat this project as a restoration.

  S MUST CAPITALIZE THESE EXPENDITURES.

Restoration

EXAMPLE – Partial Sink & Toilet Replacements

- **Not Replacement of Major Component or Substantial Structural Part - Plumbing**

  Same facts as Example 7 EXCEPT **S only replaces 8 of 20 sinks and no toilets**. The UOP is the Plumbing System.

  NOT A RESTORATION. The **8 replaced sinks do not**, by themselves, **constitute a major portion of a significant component (the 20 sinks)** of the Plumbing System UOP. Nor do they, alone, constitute a large portion of the physical structure of the system. By definition, restorations are the replacement of a part or combination of parts that comprise **a major component or substantial structural part of a UOP**. S is not required to treat the replacement of 8 sinks as a restoration.

  S MAY EXPENSE THESE EXPENDITURES.

The De Minimis Rule

For Big Companies Only?

What is De Minimis Rule?

And when do we say De Minimis Rules? If it applies to you, of course! What exactly is it?

- **De Minimis is an exception to capitalization**
- A threshold that allows **taxpayers with applicable financial statements** the option to **expense costs for property that does not exceed $5,000 per invoice or per item** as substantiated by invoice
- Property with a useful life of **12 months or less** as long as the amount per item or invoice **does not exceed $5,000**
- The new regulations expand the De Minimis rule to include tangible property acquired to repair or improve existing tangible property
- De Minimis rules do not apply to acquisitions of inventory or land
- De Minimis rule is a safe harbor, elected annually by including a statement on the taxpayer's timely filed original Federal tax return

The De Minimis Rule

$5,000 per item or invoice?

There's been a bit of confusion over this issue. Let's look at an example from the IRS Repair Regulations.

- *Example 3. De minimis safe harbor; taxpayer with AFS*. C is a member of a consolidated group for Federal income tax purposes. C's financial results are reported on the consolidated applicable financial statements for the affiliated group. C's affiliated group has a written accounting policy at the beginning of Year 1, which is followed by C, to expense amounts paid for property costing $5,000 or less. In Year 1, C pays **$6,250,000 to purchase 1,250 computers at $5,000 each**. C receives an invoice from its supplier indicating the total amount due ($6,250,000) and the price per item ($5,000). **The amounts paid for the computers meet the requirements for the *de minimis* safe harbor under paragraph (f)(1)(i) of this section.**

The De Minimis Rule

Does De Minimis Apply To Companies Without An AFS?

- Yes, but they must have accounting procedures in place to deduct amounts paid for property costing less than a specified dollar amount and property with an economic useful life of less than 12 months.
- But not $5,000?
- No. They get a greatly reduced per invoice or item threshold.
- How much? **No more than $500 per item or invoice.** If the cost exceeds $500, no portion of the cost of the property will fall within the De Minimis safe harbor.

$500 Per Item or Invoice?

Let's look at another example straight from the IRS Repair Regulations.

Example 1. De minimis safe harbor; taxpayer without AFS. In Year 1, **A purchases 10 printers at $250 each for a total cost of $2,500 as indicated by the invoice**. A does not have an AFS. A has accounting procedures in place at the beginning of Year 1 to expense amounts paid for property costing less than $500, and A treats the amounts paid for the printers as an expense on its books and records. **The amounts paid for the printers meet the requirements for the *de minimis* safe harbor under paragraph (f)(1)(ii) of this section.**

Routine Maintenance Safe Harbor

- ❖ Exception to capitalization
- ❖ Provided for building property held by a **taxpayer with gross receipts of $10 million or less ("qualifying small taxpayer")**
- ❖ Taxpayer can elect not to apply improvement rules to eligible building property if total amount paid during tax year for repairs, maintenance and improvements does not exceed the lesser of $10,000 or 2 percent of the unadjusted basis of the building
- ❖ **Eligible building property** includes building unit of property owned or leased by qualifying taxpayer, provided the unadjusted basis of the building unit of property **is $1,000,000 or less**
- ❖ Safe harbor may be elected annually on a building by building basis by including a statement on taxpayer's timely filed tax return for the year the costs are incurred

The De Minimis Rule

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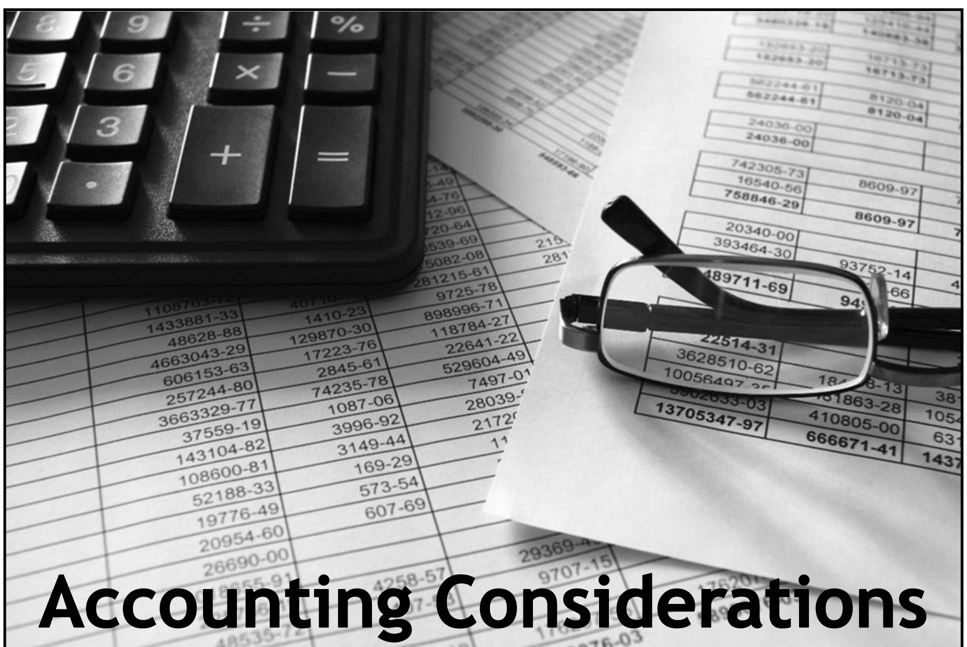

Accounting Considerations

Accounting Considerations

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Elections, Changes & Adjustments

- ❖ De Minimis Rule election – made through timely filed return
- ❖ Safe Harbor election – made through timely filed return
- ❖ General Asset Accounts (GAA) Form 4562, Line 18
- ❖ Election to terminate GAA on disposal – report disposal on timely filed return
  - ❖ Form 3115 – Automatic Change of Accounting Method
  - ❖ Section 481(a) Adjustment

Accounting Considerations

rcg RESEARCH CREDIT GROUP

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