

PHILIP SEZ ✓ IT OUT!

Year-End Issue

December 2014

Happy Holidays to All

Critical Information about the Repair Regulations and all materials/supplies; please read

The Internal Revenue Service has issued comprehensive Repair Regulations regarding the deduction and capitalization of expenditures related to tangible property. Tangible property includes buildings as well as any item which you can hold in your hand or touch. The Regulations are applicable to businesses in all industries that acquire, produce, replace or improve tangible property. In plain English, this means if you file a Schedule C for a business or a Schedule E for a rental, you are subject to the Regulations. Clients who are in business or have rentals will be receiving additional communications on this over the next 30-45 days. It is critical this year that everyone read anything you receive from us during this time period. The only way to keep your fees manageable with both this and the Affordable Care Act (Obamacare) info in the other enclosed document is to read everything received and comply with our requests.

I want to remind you that Congress writes the tax law (Internal Revenue Code) and IRS writes regulations, which are their viewpoint about how they will interpret the code and their expectations for taxpayers to comply. I dislike these inconveniences as much as you do.

Application of the new Repair Regulations requires an in-depth understanding of various tax cases and circumstances that must be met. Our firm is ready to identify and claim your deductions and help you conform to the new Repair Regulations. We have taken a large amount of education on them at a substantial cost and will be continuing to do so before tax season begins.

The Internal Revenue Service outlines numerous factors that must be considered when deciding if the building expenditure is an improvement or a repair expense. We will help you determine when it is appropriate to expense items such as windows, roofs, HVAC, plumbing, and electrical based on your unique situation. If you have a small business, these Regulations will also affect equipment, furniture/fixtures, repairs, improvements, materials/supplies, and even, to some extent, office supplies.

Materials/supplies costs as well as repairs will be reviewed according to Internal Revenue Service “safe harbor” provisions. If you operate a business or have a rental, there will be a “Capitalization Policy” document provided to you that will help protect you and keep you in compliance with the “safe harbor.”

Due to the complexity of these Capitalization vs. Repair Regulations, our firm will be required to analyze your records for acquisitions of tangible property, expenditure of supplies, and expensing of repair costs in order to maximize the benefits available to you under this Regulation. In order to assist

you with the compliance requirements of this Regulation, we will request a complete copy of your books and records including transaction detail, and in some cases a review of the actual invoices paid.

There is no doubt that this Regulation has placed burdens on small business. Knowing the benefits that are available if the records and documents are available is worth the additional effort.

Unfortunately, the effort will come at an increase in fees for preparation of your business tax return due to the additional time. While we have always been cognizant of our fees, placing a high degree of value on our work, we will be required to spend more time analyzing your expenses to comply with the Regulation.

We continue our commitment to value of service!