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# Small Taxpayers Rejoice - Relief from the Tangible Property Regulations Has Arrived!

TAX  
BY EVAN OGRODNIK

On February 13, 2015, the Internal Revenue Service (IRS) issued Revenue Procedure 2015-20 providing optional relief for small business taxpayers from the burdensome requirement of filing one or more changes in accounting method (Forms(s) 3115) to comply with the new Tangible Property Regulations (TPR). A small business taxpayer is defined as a business with either total assets less than \$10 million as of the beginning of the tax year or average gross receipts of \$10 million or less for the three prior taxable years.

Pursuant to the TPRs, taxpayers are required to “scrub” their depreciation schedules to look for improperly capitalized items and assets with impermissible depreciable lives and method. Additionally, the TPRs provide some taxpayer-friendly provisions, including the opportunity to identify and write-off the remaining basis of ghost assets (those no longer in existence) or partial asset dispositions. Separately, taxpayers are required to change their accounting methods to identify their unit(s) of property, comply with changes in accounting for materials and supplies and capitalize acquisition, production and transaction costs.

Taxpayers wishing to take advantage of the relief provided under Revenue Procedure 2015-20 are deemed to comply with the TPRs by simply filing their 2014 Federal tax return without the requirement to file a Form 3115 or include a statement or election attached to the return. It appears that by taking the optional relief, the IRS will not be able to apply the TPRs to tax years prior to 2014, i.e., disallowing future depreciation for assets improperly capitalized pursuant to the betterment, adaptation and restoration standards of the TPRs. It is important to note, however, that by opting for the relief, the taxpayer forgoes the opportunity to scrub the depreciation schedule for potential write-offs available only for the 2014 tax year, which continues to require formal changes in accounting methods via filing Form 3115.

The various annual elections included within the TPRs such as the de minimis safe harbor, election to capitalize and depreciate spare parts, and election to capitalize in conformity with books, continue to apply.

Although this Revenue Procedure was issued several weeks into the filing season, it should reduce the compliance burden, saving taxpayers and tax practitioners alike some aggravation and heartburn over the next two months. Better late than never, I guess.

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