

# TANGIBLE PROPERTY REGULATIONS (TPR)



The Tangible Property Regulations (TPR), also known as the “repair” regulations, direct the treatment of costs incurred to acquire, produce or improve tangible property. These regulations, issued by the Internal Revenue Service (IRS) in 2013, impact how businesses capitalize, depreciate and deduct expenses related to tangible assets. As organizations navigate the intricacies of TPR, it is important to optimize relevant tax strategies while maintaining compliance with IRS guidelines.

## UNDERSTANDING THE REGULATIONS

TPR affect multiple industries as it relates to capital expenditures for building improvements and repairs, land improvement upgrades and repairs, manufacturing equipment, specialty ventilation, electrical and piping, specialty flooring and wall coverings, specialty equipment and storage and leasehold improvements. For tax years beginning on or after January 1, 2014, TPR can provide valuable cash tax savings when implemented correctly.

### Key provisions within TPR and subsequent disposition regulations that could affect taxpayers' capital assets:

- ▶ Improvements or replacements of building systems / components (ventilation, electrical, plumbing, etc.)
- ▶ Process manufacturing
- ▶ De Minimis safe harbor election
- ▶ Capitalization election
- ▶ Routine maintenance safe harbor
- ▶ Materials and supplies
- ▶ Partial dispositions
- ▶ General Asset Accounts (GAA)

## WEAVER CAN HELP

At Weaver, we offer comprehensive TPR compliance and consulting services designed to assist businesses in efficiently managing tangible property transactions, maximizing tax savings and mitigating the risk of IRS audits. Our team of tax professionals understand the impacts of TPR, and we help companies develop customized workplans that improve your capitalization process. As we identify a timeline and action items that include financial statement requirements and ensure the written book capitalization policy is in place, our team will also identify whether existing systems are capable of tracking required information to comply with the regulations.

## TPR WORKPLANS HELP CLIENTS

- ▶ Comply with final regulations
- ▶ Improve internal systems, processes and controls related to fixed assets
- ▶ Distinguish between expenditures that can be deducted vs capitalized
- ▶ Identify basis for partial dispositions or entire units of property and major components
- ▶ Evaluate available elections, safe harbors and optional methods of accounting

### KEY CONTACTS:

**RAFAEL FERRALES, EA**  
MANAGING DIRECTOR, TAX SERVICES  
O: 347.619.0150  
RAFAEL.FERRALES@WEAVER.COM

**SEAN MULLER, CPA**  
SPECIALTY TAX SERVICES LEADER  
O: 832.320.3293  
SEAN.MULLER@WEAVER.COM