

Cost Segregation

Regulatory Brief

Important Citings

- IRC Sec. 48 – 1962 Introduced ITC.
- IRS Publication 173 “Bulletin F”, 1942 – Composite method, component method, superceded by Rev. Procedure 62-21, 1962-2 CB 418.
- IRS Reg. 1.167(a)-7(a) – Depreciate separately or combine into group accounts.
- ADR – Elective system for tangible assets after 1970, Rev. Ruling 73-10, 1973-2, CB 53 provides alternative method if ADR not elected. Component method.
- Revenue Procedure 72-10, 1972-1, CB 721 – 100 asset guideline classes.
- ACRS-IRC Sec. 168, 1981- Provided 5 recovery periods for assets (later 7).
- MACRS - Came in with Tax Reform Act of 1986. Recovery periods increased with Revenue Procedure 87-56, 1987-2 674 as the guideline for class lives and recovery periods.
- IRC Sec. 179 – Expensing provision.
 - \$100,000 until 1/1/06.
 - Back to \$25,000 after 1/1/06.
- Bonus Depreciation – 30 or 50% for qualifying properties.
 - 30% - P.L. 107-147
9/10/2001 to 5/5/2003
 - 50% - P.L. 108-27
5/6/2003 to 12/31/2004
- Treasury Reg. Sec. 1.48-1(e)(1) - Details on qualifying ITC Property.
- IRS Section 1245 and 1250 (1962) Calculating Capital Gains.
- Revenue Procedure 2004-11 - Cost Segregation rules updated (waiver of “Two-year Rule”).
 - File Form 3115

Regulatory History

- Shainberg vs. Commissioner**, 33TC 241 (1959) – Discusses using component method on newly constructed property.
- Whiteco Industries, Inc vs. Commissioner**, 65TC21-664, 672-673 (1975) – Inherent permanency of fixtures.
- Hospital Corporation of America vs. Commissioner**, 109TC21 (1997) – Component depreciation
- AOD – Action on Decision (AOD CC-1999-08)** – IRS acquiesced HCA case.
- 1999 Chief Counsel Advice Memorandum** – (5/28/99) Cost Segregation Study guidelines.
- Revenue Ruling 66-111, 1966, CB 46 - Modified by Rev. Ruling 73-410, 1973– 2 CB 53** – Addresses depreciation used on the building as a whole.
- Revenue Ruling 68-4, 1968-1, CB 77** – Addresses assets guideline classes.
- Revenue Ruling 75-178-1 CB9** – Section 1245 classifications.

Call Mike Olivares at 877.375.4385

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