Final Tangible Property Regulations: Decision Trees
To help guide you through the basic steps in considering how the new Tangible Property Regulations apply to your repair and maintenance costs, we created a series of high-level decision trees—one for buildings, one for non-buildings, and a combined decision tree for all tangible property. To fully understand how these complex new rules affect your company, we encourage you to contact either of the KPMG professionals listed on the last page. We also invite you to take advantage of our comprehensive Tangible Property Regulations website, available at www.kpmg.com/us/repairregs.
SIMPLIFIED DECISION TREE: NON-BUILDING PROPERTY

IDENTIFY PROPERTY TO BE TESTED
- Plant Property
- Network Assets
- All other

BETTERMENT
- Does the expenditure:
  - Correct a pre-existing defect,
  - Materially add to or expand property, or
  - Materially increase quality, capacity, productivity, or efficiency

ADAPTION
- Has the property been adapted to a new or different use

RESTORATION
- Does the expenditure:
  - Replace a component for which TP recognized gain/loss on sale or disposition,
  - Restore damage resulting from a casualty event, or
  - Return the property to an operable condition after falling into disrepair

SPECIAL RULES
- Did the expenditure directly benefit or was it incurred by reason of another capital activity?

POTENTIAL BETTERMENTS

ADAPTATION

RESTORATION

SPECIAL RULES

YES

NO

YES

YES

YES

NO

YES

NO

YES

Deduct (Subject to section 263A)

Capitalize

Consult IIR for unit of property and/or capitalization criteria

Is there an IIR for this type of property?
- Elec. T&D: RP 2011-43

Is this a network asset

Did the taxpayer expect to perform the activity at least twice within the property’s ADS recovery period

Must the cost be capitalized under a “book conformity” safe harbor election?