and accounting professionals may still need some guidance on how the new changes effect them or their clients. The national tax, consulting and forensic accounting firm Gettry Marcus has issued its interpretation and made the information available.

Mar. 28, 2014

The new IRS "Repair" regulations too effect on January 2014, but many businesses and accounting professionals may still need some guidance on how the new changes effect them or their clients. The national tax, consulting and forensic accounting firm Gettry Marcus has issued its interpretation and made the information available.

The regulations provide a massive revision to the rules on capitalizing and deducting costs incurred with respect to tangible property. The regulations apply to amounts paid to acquire, produce or improve tangible property; every business is affected, especially those with significant fixed assets.

Required and Elective Changes

There is a lot of work ahead for most taxpayers to comply with the new rules. There are three categories of changes under the regulations:

- Changes that are required and are retroactive, with full adjustments under Code Sec. 481(a), in effect applying the regulations to previous years

- Required changes with modified or prospective Code Sec. 481(a) adjustment

Rev. Proc. 2014-16
The IRS issued Rev. Proc. 2014-16, granting automatic consent to taxpayers to change their accounting methods to comply with the final regulations. Rev. Proc. 2014-16 applies to all the significant provisions in the final regulations, such as repairs and improvements; materials and supplies, including rotable and temporary spare parts; and costs that have to be capitalized as improvements. Rev. Proc. 2014-16 supersedes Rev. Proc. 2012-19, which applied to changes made under the temporary and proposed repair regulations issued at the end of 2011.

There are 14 automatic method changes provided by Rev. Proc. 2014-16 for the repair regulations. Taxpayers may file for automatic consent on a single Form 3115, even if they are making changes in more than area. The normal scope limitations on changing accounting methods do not apply to a taxpayer making one or more changes for any tax year beginning before January 1, 2015. Scope changes would normally apply if the taxpayer is under examination, is in the final year of a trade or business, or is changing the same accounting method it changed in the previous five years.

Filing Deadlines
For past years, taxpayers can apply the 2011 proposed and temporary (TD 9564) regulations or the 2013 final regulations to either 2012 or 2013, and can do this on a section-by-section basis. Taxpayers that decide to apply the final or temporary regulations to 2013 must file for an automatic change of accounting method (Form 3115) by September 15, 2014. Taxpayers applying the regulations to 2014 must file for an automatic change by September 15, 2015. (Both dates apply to calendar-year taxpayers.) The government has indicated it is unlikely to postpone the effective date of the regulations.

Dispositions

Accounting