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On September 18, the IRS released an advanced copy of [Rev. Proc. 2014-54](#), which provides guidance on certain changes in method of accounting for dispositions of tangible depreciable property. One of the most notable changes in this 93-page document is that the time for making a late partial disposition election has been extended for one year.

**Background:** A partial disposition election allows taxpayers to treat the retirement of structural components of a building (e.g., a roof) as a disposition, thus enabling the taxpayer to claim a loss on the remaining cost basis of that component. Whereas a partial disposition election covers dispositions in the current tax year, a *late* partial disposition election allows taxpayers to go back in prior years and remove previously retired components.

**What's New:** Prior to Rev. Proc. 2014-54, late partial dispositions were only allowed for tax years beginning January 1, 2012 through 2013. The new Rev. Proc. extends by one year the period to make a late partial disposition election. In essence, taxpayers now have the 2014 tax year to scrub their fixed asset for opportunities to take losses on disposed structural components.

Other notable changes include:

- Removing section 6.19 (lessor improvements abandoned at termination of lease) because it is obsolete;

- Revising section 6.29 (disposition of a building or structural component) to

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- Inclusion of charts that summarize the changes in methods of accounting that may be made under Rev. Proc. 2011-14 for dispositions of MACRS property.

**ACTION NEEDED:** For 2014 tax returns, taxpayers should identify all prior year retirements that are still being capitalized. This generally occurs anytime an existing building or machine is improved or renovated as older components are demolished or removed to accommodate new ones. A detailed review of your fixed asset invoices is recommended where renovation or improvement costs exceed \$500,000. Even if a cost segregation study has already been performed, additional deductions are available. In addition to claiming immediate retirement deductions, this process will also eliminate paying recapture tax on 1245 & 1250 building components that no longer exist.

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