Repair or Improvement???

Deductible expense ← yes — 1) Was the item a tool, consumable, <1-year life, or $200 or less?

no ↓

2) Did T/P have a policy to expense any item costing < a specific amount (no more than $2500 or $5000 if T/P has AFS)?

yes ↓

May exp using de minimis election ← yes — Did item cost less than the amount?

no ↓

3) Was expense for building property? — no →

yes ↓

3) Were gross receipts $10M or less? — no →

yes ↓

3) Does building property have unadjusted basis of < $1million? — no →

yes ↓

3) Was the total spent on this UOP for this year for repairs, maintenance, and improvements less than 2% of the property's unadjusted basis? — no →

yes ↓

May exp using Safe Harbor for Small Taxpayers election ← yes — Total spent < $10,000?

no ↓

4) Were the expenses incurred for a recurring activity the taxpayer expects to perform more than once during the ADS class life of the property or more than once in 10 years for buildings? — yes →

no ↓

5) UOP rebuilt to like-new condition after end of its ADS class life? — yes →

no ↓

6) Replace part(s) that comprise a major component or substantial structural part of UOP (or a building system)? — yes →

no ↓

7) Work performed before UOP was placed in service? — yes → / no →

---

8) Correct defect from before acquisition? — yes →

no ↓

9) Increase sq ft, capacity, productivity, efficiency, strength, output, quality of UOP, bldg structure, or a bldg system? — no →

yes ↓

10) Betterment only because part couldn't be replaced with same part due to tech advancements? — no →

yes ↓

11) Deduct a loss for component replaced, or was it sold? — yes →

no ↓

12) Basis adjustment to the replaced component as a result of a casualty loss? — yes →

no ↓

13) Had UOP deteriorated so no longer functional for intended use and returned it to its former operating condition? — yes →

no ↓

14) Cost to adapt UOP to new or different use? — yes →

no ↓

15) Repair, maintain, or improve network assets? — yes →

no ↓

Deductible Expense

---

16) Does T/P have AFS? — no →

yes ↓

16) Are expenses for refresh/remodel? — no →

yes →

Refresh/remodel safe harbor allows retailers and restaurants to deduct 75% and capitalize 25% of costs. Form 3115 must be filed.

Capitalize

NOTE! High-income taxpayers may benefit by capitalizing items that could be expensed in order to satisfy the property limitation and claim the §199A deduction.

Flowchart does not include rotable & temporary spare parts rules