New tax guidelines under Rev. Proc. 2009-39 allow for an automatic accounting method change for repair and maintenance costs

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Many companies follow book method of accounting for repairs and maintenance and overcapitalize certain types of repair costs for tax.

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There is a timely opportunity for companies to deduct previously capitalized repair and maintenance costs for a reduction of a taxpayer's current tax liability or increase their net operating loss (NOL) to be carried back five years for federal income tax purposes. Due to an upcoming change in the regulations, companies may be significantly limited in the ability to deduct previously capitalized repair costs.

Many companies follow the book method of accounting for repairs and maintenance expenses and often times overcapitalize certain types of repair costs. Such costs may be currently deductible for federal income tax purposes in the year in which they were incurred. Companies may be eligible to file an automatic accounting method change for the 2009 tax year and currently deduct the remaining basis of such improperly capitalized repair costs thereby resulting in accelerating cash flow. Many industries are impacted including retail, real estate, manufacturing, services, and energy. Typical capitalized repair costs include roofs, HVAC, parking, painting, and renovations.

Companies should consider filing the automatic accounting method change prior to the finalization of the Treasury Regulations for tangible property. True Partners Consulting can assist estimating the potential amount of overcapitalized repair costs for tax purposes.

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