

Wright Ford Young & Co.

Certified Public Accountants and Consultants, Inc.

PROPERTY IMPROVEMENTS - INCREASED DEPRECIATION DEDUCTIONS FOR 2011

Dear Clients and Friends:

Businesses interested in maximizing their first-year depreciation write-offs have a powerful incentive to place new assets in service in 2011. The 2010 Tax Relief Act allows businesses a 100% write-off of the cost of qualifying assets that are placed-in-service during 2011. Most building costs are generally ineligible for the 100% first-year write-off, however, businesses that build, renovate or expand commercial properties this year still can wind up with big first-year write-offs. This is possible because many of the assets installed in a commercial building may in fact be eligible for 100% bonus first-year depreciation for federal purposes (and certain other states not including California).

In general, an asset qualifies for the 100% bonus depreciation allowance if:

- 1) It is property with a recovery period of 20 years or less; certain computer software; qualified leasehold improvement property; or certain water utility property;
- 2) It is acquired and placed in service after Sept. 8, 2010 and before Jan. 1, 2012; and
- 3) Its original use commences with the taxpayer (i.e.: the property must be new).

Cost Segregation Studies

Non-residential buildings generally are depreciated over a 39-year period and are therefore not eligible for 100% bonus depreciation. However, commercial building owners often conduct detailed cost segregation studies or analyses to separate the costs of a building into categories: 1) costs to be depreciated over 39-year period and not eligible for bonus depreciation and 2) costs to be depreciated over a period of less than 39-years (i.e.: 3, 5, 7, 15 or 20 years) and eligible for bonus depreciation.

Listed below are some of the more widely applicable types of assets classified as having shorter recovery periods according to the IRS, and therefore are eligible for a 100% first-year write-off as long as they meet the other requirements of bonus depreciation that are mentioned above. The assets generally are depreciable over a 5 or 7 year period, depending on the type of industry.

- *Canopies and awnings*
- *Decorative millwork*
- *Doors*
- *Electrical outlets and connections*
- *Facades in interior of building*
- *Fire protection equipment*
- *Floor coverings*
- *Foundations or footings, concrete-15 year recovery period*
- *Heating, ventilation, and air conditioning (HVAC)*
- *Kiosks*
- *Landscaping & shrubbery-15 year recovery period*
- *Light fixtures, interior*
- *Lighting, exterior*
- *Parking lots 15-year recovery period*
- *Plumbing and similar hookups*
- *Security equipment*
- *Signs*
- *Site grading-15 year recovery period*
- *Walls, if movable*
- *Wall coverings*
- *Window accessories*

If you would like more details about any of the information provided above, please do not hesitate to contact our office.

Very Truly Yours,

Wright Ford Young & Co.,
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