

# Fixed Asset Review

Companies with extensive fixed assets often spend significant time and effort capturing, validating, reconciling, and reporting fixed assets and related depreciation data. A common theme with the tax accounting treatment of fixed assets is “tax follows book.” Without an effective tax fixed asset planning process or a well-defined tax capitalization policy, however, improper tax treatment of assets can occur resulting in lost tax savings, increased costs, and potential compliance risks. KPMG LLP’s (KPMG) Fixed Asset Services professionals can help companies in all industries—from middle market to global enterprises, consumer goods to defense contractors—achieve greater tax efficiency.

## Helping you uncover tax benefits within your fixed assets

KPMG’s Fixed Asset Services professionals employ a multidisciplinary focus to address not only the challenges companies face in tax fixed asset accounting, but to also help uncover potential tax benefits within the fixed asset records. Our teams have the knowledge and experience to help identify and document additional tax deductions upon a review of historical and current year fixed asset records and capital improvement projects. The additional tax deductions typically are derived from reclassifying qualifying fixed asset costs into accelerated tax recovery periods or as current period expenses.

Fixed Asset Reviews can include:

- Tangible Property Regulations (TPR) compliance and opportunity review
- Structural component disposition studies
- Fixed asset depreciation review
- Cost segregation
- Bonus depreciation review
- Reverse sales and use tax review
- Ghost asset identification
- Placed in service date verification
- Tenant allowance review
- Construction in progress account review
- Energy efficient building systems analysis
- Fixed asset database management and reconciliation.

## Potential benefits

A Fixed Asset Review can result in the following advantages:

- Income tax deferral through accelerated deductions
- Permanent tax savings



- Enhanced cash flow/monetization of assets
- Improved documentation and capitalization procedures
- Property and sales tax savings
- Increased utilization of available credits and incentives.

## Technical updates: The Tangible Property Regulations

The Treasury Department and the Internal Revenue Service (IRS) issued final TPR that are effective and binding for a taxpayer’s first year beginning on or after January 1, 2014. These regulations address the proper tax treatment of fixed asset acquisitions, repair, and maintenance costs and dispositions.

## Potential opportunities under the Tangible Property Regulations

The TPR include a number of provisions that should be addressed both from a compliance perspective (for tax years that begin in 2014) and, in certain respects, as opportunities to accelerate deductions that did not exist under prior law:

- Rules for costs incurred to acquire materials and supplies and an annual election for “de minimis” costs

- A “book conformity” capitalization safe harbor, allowing a taxpayer to capitalize for tax all repair and maintenance costs capitalized for books—but not a “pure book conformity” rule
- New “unit of property” (UOP) definitions likely to affect many taxpayers. In particular, the regulations present challenges regarding how to apply the new standards to buildings as well as to so-called “plant property,” such as manufacturing and other “industrial” facilities
- New capitalization standards that define an “improvement” for tax purposes. Taxpayers must analyze whether an expenditure results in a “betterment,” “adaptation,” or “restoration” to the UOP. The three betterment substandards and six restoration substandards make this an involved and complex process
- A “routine maintenance safe harbor” that may significantly expand the ability to currently expense otherwise capitalized costs to replace large components of nonbuilding property, and also may provide benefits for certain recurring building maintenance
- Rules for dispositions of tangible property, including the ability to claim a partial disposition of an asset
- Implementation of the TPR may also affect a taxpayer’s section 263A uniform capitalization calculation

For more guidance and helpful tools on the TPR, please visit [www.kpmg.com/us/repairregs](http://www.kpmg.com/us/repairregs).

## Proactive approach and strong technical knowledge help to add value

### Fixed Asset Review project uncovers significant tax deductions

A FORTUNE 150 corporation engaged KPMG to analyze capital expenditures over a ten-year historical period via a Fixed Asset Review. Through a detailed review of fixed asset additions year-over-year at each of the company’s locations, the engagement team was able to identify a population of fixed assets to further analyze. Following a standardized engagement methodology and utilizing proprietary Fixed Asset Review tools, the team worked with the client’s various departments to fully document capital expenditures eligible for current period repair and maintenance deductions, structural component dispositions, and accelerated depreciation. The resulting benefit generated significant income tax deductions realized in the current year via the filing of an accounting method change.

### Industry knowledge adds value

Our extensive experience includes serving a spectrum of organizations in industries including technology and software, telecommunications, manufacturing, chemicals, aerospace and defense, food processing, pharmaceuticals, consumer markets, real estate, and financial services. Our deep industry knowledge enables us to identify industry-specific opportunities to help achieve increased tax efficiency.

### Washington National Tax – Your technical resource

Our professionals are supported by a national network of tax professionals and resources, including those from our Washington National Tax (WNT) practice—the technical core of our Tax practice, which regularly monitors the ever-changing tax landscape. WNT stands ready to inform you of new legislative and regulatory developments in a timely manner to help you plan or respond to the potential implications of these changes.

### Why choose KPMG?

The Fixed Asset Services group works as a national team that aligns the skills and core competencies of professionals across the country. Our team members include licensed architects, professional engineers, Leadership in Energy and Environmental Design (LEED) accredited professionals, and certified public accountants. We can also assist with the defense of Fixed Asset Reviews under IRS audit. And, our experience with multiple fixed asset accounting software platforms may enable us to assist with the implementation of results.

### Contact us

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