

26 CFR 1.263(a)-3: Amounts paid to improve tangible property.
(Also Part 1, §§ 162, 168, 263, 263A, and 446; 1.168(i)-1, 1.168(i)-8, 1.446-1.)

Rev. Proc. 2015-56

SECTION 1. PURPOSE

This revenue procedure provides certain taxpayers engaged in the trade or business of operating a retail establishment or a restaurant with a safe harbor method of accounting for determining whether expenditures paid or incurred to remodel or refresh a qualified building (as defined in section 4.02) are deductible under § 162(a) of the Internal Revenue Code (Code), must be capitalized as improvements under § 263(a), or must be capitalized as the costs of property produced by the taxpayer for use in its trade or business under § 263A. This revenue procedure also provides procedures for obtaining automatic consent to change to the safe harbor method of accounting permitted by this revenue procedure.

SECTION 2. BACKGROUND

.01 Taxpayers operating in the retail and restaurant industries regularly incur expenditures to remodel or refresh buildings used in the trade or business of selling tangible personal property or services to the general public. A project to remodel or

refresh a retail establishment or a restaurant is generally referred to as a “remodel” or a “refresh,” depending on the extent of work performed (collectively referred to as a “remodel-refresh project” as defined in section 4.03). Generally, a retail or restaurant taxpayer undertakes a remodel-refresh project to remain competitive and to improve the customer experience. These projects typically involve a planned undertaking to alter the physical appearance and layout of the building to maintain a contemporary and attractive environment, to more efficiently locate different functions and products, to conform to current industry standards and practices, to standardize the customer experience, to offer the most relevant goods, food, or beverages, and to address changes in demographics by changing offerings and their presentation. Typically, taxpayers also perform routine repairs and maintenance during a remodel-refresh project.

.02 Section 162 generally allows a deduction for all the ordinary and necessary expenses paid or incurred during the taxable year in carrying on any trade or business, including the costs of repairs and maintenance. Section 263(a) generally requires the capitalization of amounts paid to acquire, produce, or improve tangible property.

.03 Section 1.162-4 allows taxpayers to deduct amounts paid for repairs and maintenance of tangible property if the amounts are not otherwise required to be capitalized. Section 1.263(a)-3 generally requires taxpayers to capitalize amounts paid to improve a unit of property. Section 1.263(a)-3(d) defines improvements as amounts paid that are for a betterment to a unit of property, that restore a unit of property, or that adapt a unit of property to a new or different use. Sections 1.263(a)-3(j), (k), and (l) provide detailed criteria for determining whether amounts fall into any of these

categories. Section 1.263(a)-3(e)(2) provides for the application of these criteria to the building unit of property by applying the criteria separately to the building structure and specifically designated building systems.

.04 Although § 1.263(a)-3 provides several examples that apply the improvement criteria and the unit of property rules to remodel or refresh costs, many remodel-refresh projects are more complicated and diverse than the scenarios included in the examples. Because remodel-refresh projects frequently involve work performed on building structures and a variety of building systems, the final tangible property regulations generally require taxpayers performing remodel-refresh projects to apply separate legal analyses to many different components of the building. These analyses become especially difficult in situations where, as part of their remodel-refresh projects, taxpayers adapt portions of space to a new and different use. Moreover, the application of the improvement rules to particular buildings can be complex because remodel-refresh projects vary so much in frequency, quality, and degree. Consequently, taxpayers and the IRS frequently encounter questions regarding whether the costs for a particular remodel-refresh project should be characterized as repairs, maintenance, or an improvement of the taxpayers' property, causing taxpayers and the IRS to expend significant resources on this factually intensive issue.

.05 In addition, § 263A requires the capitalization of the direct and allocable indirect costs of real or tangible property produced by a taxpayer for use in its trade or business or acquired for resale. See also § 1.263A-1(a)(3)(ii). Section 263A and its regulations apply to a retail or restaurant taxpayer's self-constructed property and, therefore, require the capitalization of the direct and allocable indirect costs of property

constructed, built, installed, or improved during a remodel-refresh project. See § 1.263A-2(a)(1). Thus, the rules under § 263A require taxpayers to apply an additional analysis to their remodel-refresh projects to determine which costs must be capitalized as the direct or allocable indirect costs of producing property used in their trade or business.

.06 To reduce disputes regarding the deductibility or capitalization of remodel-refresh costs (as defined in section 4.04), this revenue procedure provides a safe harbor approach under which qualified taxpayers (as defined in section 4.01(1)-(3)) may determine the portions of their remodel-refresh costs that may be deducted or must be capitalized for purposes of §§ 162(a), 263(a), and 263A(b)(1). This safe harbor method minimizes the need to perform a detailed factual analysis to determine whether each remodel-refresh cost incurred during a remodel-refresh project is for repair and maintenance under § 1.162-4 or for an improvement under § 1.263(a)-3. In addition, because this safe harbor method is applied to the entire building unit of property, the safe harbor method also eliminates the need to apply these rules separately to each building structure and each building system designated under § 1.263(a)-3(e). Moreover, the safe harbor eases the factual inquiry into whether costs incurred during a remodel-refresh project adapt property to a new or different use, requiring qualified taxpayers to exclude from the safe harbor only amounts that adapt more than 20 percent of the total square footage of the building to a new or different use. Finally, the safe harbor removes the qualified taxpayer's requirement to complete a separate analysis under § 263A and the corresponding regulations to determine whether any remodel-refresh costs, including interest, must be capitalized as direct and allocable

indirect costs of producing property used in its trade or business.

.07 Section 4 provides definitions for purposes of applying the remodel-refresh safe harbor. This section defines qualified taxpayers, qualified projects, and remodel or refresh costs that are eligible for treatment under the safe harbor. Section 4 also defines excluded remodel-refresh costs for purposes of determining which costs incurred during a qualified project must be excluded in determining the total qualified costs (as defined in section 4.07) subject to the safe harbor. Excluded remodel-refresh costs generally consist of amounts that are clearly characterized as capital expenditures, amounts that are paid for properties that are not part of a qualified building, and amounts that are properly analyzed under Code and regulation provisions outside the context of this revenue procedure. To summarize, the remodel-refresh costs eligible for the safe harbor are the costs incurred in a typical remodel-refresh project for § 1250 property that are often subject to controversy regarding the proper treatment for federal income tax purposes.

.08 Section 5 provides a remodel-refresh safe harbor method. Section 5.02(1) provides the allocation ratio for determining the portion of qualified costs that may be deducted under § 162(a) and the portion that must be capitalized as improvements under § 263(a) or as property produced by the qualified taxpayer for use in its trade or business under § 263A(b)(1). The allocation ratio takes into account non-inventory § 263A costs, amounts that adapt a portion of a qualified building to a new or different use, and losses on the dispositions of relevant building assets (or portions thereof). The allocation ratio is based on an analysis of data compiled from taxpayers, IRS Examination, and IRS Appeals.

.09 Section 5.02(3) provides rules under the remodel-refresh safe harbor for the capitalization, depreciation, and disposition of a qualified building (or a portion thereof) to which the qualified taxpayer has applied the remodel-refresh safe harbor.

.10 Sections 5.02(4), 5.02(5), and 5.02(6) provide limitations on how the disposition rules may be applied by a qualified taxpayer using the remodel-refresh safe harbor. Because the allocation ratio takes into account losses on the dispositions of relevant building assets (or portions thereof), these limitations exist to ensure that a taxpayer using the remodel-refresh safe harbor does not use the allocation ratio to determine its deductible costs for a remodel-refresh project while also claiming a disposition loss on the related assets disposed of.

.11 Section 1.168(i)-1 provides rules for general asset accounts. Section 1.168(i)-8 provides rules for dispositions of property depreciated under § 168. Sections 1.168(i)-1(e)(2)(viii)(B)(1) and 1.168(i)-8(c)(4)(ii)(A) provide that each building, including its structural components, is the asset for tax disposition purposes, except as otherwise provided in the final disposition regulations. Where a taxpayer places in service an improvement or addition to the building after the original building is placed in service, the improvement or addition is the asset for depreciation and disposition purposes in accordance with §§ 168(i)(6), 1.168(i)-1(e)(2)(viii)(B)(1), and 1.168(i)-8(c)(4)(ii)(D).

.12 Section 1.168(i)-8(d)(2) permits a taxpayer to elect in most cases to treat the disposed portion of an asset as a disposition (for example, the disposition of a roof (or a portion of the roof)) in the taxable year in which the portion is disposed of. If an asset is not included in a general asset account, a taxpayer generally must recognize gain or loss and cease depreciation on the disposition of (1) the asset (for example, the original

building, including its structural components, or the building addition or improvement) or (2) a portion thereof for which the taxpayer makes the partial disposition election. See § 1.168(i)-8(e). If an asset is included in a general asset account, a taxpayer generally does not realize a loss upon disposition of the asset or a portion thereof, and continues to depreciate the disposed asset or disposed portion of an asset. See § 1.168(i)-1(e)(2)(i).

.13 Because the safe harbor allocation ratio takes into account losses on the dispositions of relevant building assets (or portions thereof), section 5.02(4) provides that a qualified taxpayer using the remodel-refresh safe harbor method provided in this revenue procedure may not make the partial disposition election under § 1.168(i)-8(d)(2), Prop. Reg. § 1.168(i)-8(d)(2), section 6.33 of the Appendix of Rev. Proc. 2011-14, 2011-4 I.R.B. 330, as modified by section 3.03(1) of Rev. Proc. 2014-17, 2014-12 I.R.B. 661, 677, and section 3.02(4) of Rev. Proc. 2014-54, 2014-41 I.R.B. 675, 679, or section 6.33 of Rev. Proc. 2015-14, 2015-5 I.R.B. 450, 483, to dispose of a portion of a qualified building, including an asset placed in service and disposed of in a taxable year prior to the year that the safe harbor was utilized by the taxpayer. Section 5.02(4)(b) provides the time and manner of revoking a partial disposition election that is related to a qualified building and made in a prior taxable year. If the taxpayer does not make this revocation, section 5.02(4)(c) provides that the change in method of accounting to utilize the safe harbor is made on a cut-off basis for the qualified building to which the unrevoked partial disposition election pertains.

.14 In addition, if a qualified taxpayer recognized a gain or loss on the disposition of a component of a qualified building under § 1.168(i)-1T or § 1.168(i)-8T, as

applicable, or in a taxable year beginning before January 1, 2012, section 5.02(5) provides that the taxpayer must change its method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4) (determination of asset disposed of), as applicable, and must take into account the entire amount of the § 481(a) adjustment in computing taxable income for the year of change. If the taxpayer does not make this change in method of accounting, the remodel-refresh safe harbor provided in this revenue procedure does not apply to any qualified building for which the taxpayer recognized a gain or loss on the disposition of a component under § 1.168(i)-1T or § 1.168(i)-8T, or in a taxable year beginning before January 1, 2012.

.15 Section 5.02(6) provides that a qualified taxpayer using the remodel-refresh safe harbor method must include in general asset accounts the assets comprised of the capitalized portion of the qualified costs and assets previously placed in service and subject to the remodel-refresh safe harbor method. Section 5.02(6)(d) permits qualified taxpayers utilizing the remodel-refresh safe harbor to make a late general asset account election under § 168(i)(4) and § 1.168(i)-1 for assets previously placed in service and subject to the safe harbor method.

.16 A taxpayer's method for determining whether an amount is deducted or is capitalized is a method of accounting under § 446. Except as otherwise expressly provided in the Code or in Treasury regulations, § 446(e) and § 1.446-1(e)(2) require a taxpayer to secure the consent of the Commissioner of Internal Revenue (Commissioner) before changing a method of accounting for federal income tax purposes. Section 1.446-1(e)(3)(ii) authorizes the Commissioner to prescribe administrative procedures setting forth the limitations, terms, and conditions necessary

to permit a taxpayer to obtain consent to change a method of accounting. Section 7 provides the procedures for a qualified taxpayer to obtain automatic consent for a change in method of accounting to use the safe harbor method provided by this revenue procedure.

SECTION 3. SCOPE

.01 In general. This revenue procedure applies to a qualified taxpayer as defined in section 4.01 that pays qualified costs defined under section 4.07 in the course of performing a remodel-refresh project defined under section 4.03 on a qualified building defined under section 4.02.

.02 Exclusions. This revenue procedure does not apply:

- (1) To excluded remodel-refresh costs defined under section 4.06;
- (2) To de minimis costs defined under section 5.05(1);
- (3) To remodel-refresh costs that, if capitalized, are not depreciated by the qualified taxpayer under § 168;
- (4) To expenditures treated as qualified lessee construction allowances under § 110 and the accompanying regulations;
- (5) If the qualified taxpayer made a partial disposition election under § 1.168(i)-8(d)(2), Prop. Reg. § 1.168(i)-8(d)(2), section 6.33 of the Appendix of Rev. Proc. 2011-14, or section 6.33 of Rev. Proc. 2015-14 for any portion of a qualified building and the qualified taxpayer has not revoked the partial disposition election within the time and in the manner provided in section 5.02(4)(b)(ii), to qualified costs paid for that qualified building prior to the year of change (as defined in section 3.19 of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, 429 (or its predecessor)) for the change in method of accounting to

utilize the remodel-refresh safe harbor. See section 5.02(4)(c);

(6) If the qualified taxpayer recognized a gain or loss upon the disposition of a component of a qualified building under § 1.168(i)-1T or § 1.168(i)-8T, or in a taxable year beginning before January 1, 2012, and the qualified taxpayer (i) has not changed its method of accounting (including changes initiated by the IRS) under section 6.38(3)(a) or 6.40(3)(a) of Rev. Proc. 2015-14, 2015-5 I.R.B. 450 (or its predecessor), as applicable, for that qualified building (change in method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4) (determination of asset disposed of)) on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor, and (ii) has not taken the entire amount of the § 481(a) adjustment into account in computing the qualified taxpayer's income for the year of change, to any qualified costs paid for that qualified building prior to the year of change (as defined in section 3.19 of Rev. Proc. 2015-13) for a change made by the qualified taxpayer or the IRS under section 6.38(3)(a) or 6.40(3)(a) of Rev. Proc. 2015-14, as applicable, for that qualified building. See section 5.02(5)(b) of this revenue procedure; or

(7) To any direct or allocable indirect costs of acquiring property described in § 1221(a) for resale, and therefore, subject to capitalization under §§ 263A(a)(1)(A) and (b)(2). See § 1.263A-3.

.03 Scope determined at entity level for consolidated groups and pass-through entities. The determination of whether a qualified taxpayer is within the scope of this revenue procedure is made separately with respect to each member of a consolidated group and with respect to each partnership, S corporation, or trust.

SECTION 4. DEFINITIONS

The following definitions apply solely for the purposes of this revenue procedure:

.01 Qualified taxpayer means a taxpayer that has an Applicable Financial Statement, as defined in section 4.08, and that—

(1) Is in the trade or business of selling merchandise to customers at retail, for which the taxpayer reports or conducts activities within NAICS codes 44 or 45, except those taxpayers that primarily report or conduct activities within the following codes:

- (a) Code 4411 (automotive dealers);
- (b) Code 4412 (other motor vehicle dealers);
- (c) Code 447 (gas stations);
- (d) Code 45393 (manufactured home dealers); and
- (e) Code 454 (nonstore retailers); or

(2) Is in the trade or business of preparing and selling meals, snacks, or beverages to customer order for immediate on-premises and/or off-premises consumption, for which the taxpayer reports or conducts activities within NAICS code 722 except:

(a) Those taxpayers that are primarily in the trade or business of operating hotels and motels; civic or social organizations; or amusement parks, theaters, casinos, country clubs, or similar recreation facilities; and

(b) Those taxpayers that primarily report or conduct activities within code 7223 (special food services, i.e., food service contractors, caterers, and mobile food services); or

(3) Owns, or leases, a qualified building as defined under section 4.02 that is leased, or sublet, to a taxpayer that meets the requirements of section 4.01(1) or (2)

and incurs remodel-refresh costs as defined under section 4.04 .

.02 Qualified building means each building unit of property used by a qualified taxpayer primarily for selling merchandise to customers at retail or primarily for preparing and selling food or beverages to customer order for immediate on-premises and/or off-premises consumption. For these purposes, selling merchandise to customers at retail includes the sale of identical goods to resellers if the sales to resellers are conducted in the same building and in the same manner as retail sales to non-reseller customers (for example, warehouse clubs, home improvement stores). For purposes of this revenue procedure, a building unit of property is comprised of each building, as defined in § 1.48-1(e)(1), and its structural components, as defined in § 1.48-1(e)(2), modified by the following, as applicable:

(1) Condominium. In the case of an individual unit in a building with multiple units (such as a condominium), the building unit of property is each individual unit owned by the qualified taxpayer and the structural components that are part of the unit.

(2) Cooperative. In the case of an interest in a cooperative housing corporation, the building unit of property is the portion of the building in which the qualified taxpayer has possessory rights and the structural components that are part of the portion of the building subject to the qualified taxpayer's possessory rights.

(3) Leased building. In the case of a lease of an entire building to a qualified taxpayer, the building unit of property is the building and its structural components subject to the lease. In the case of a lease of a portion of a building (such as a store, a floor, or certain square footage) to a qualified taxpayer, the building unit of property is

the portion of the building and the associated structural components subject to the lease.

.03 Remodel-refresh project.

(1) In general. A remodel-refresh project means a planned undertaking by a qualified taxpayer on a qualified building to alter its physical appearance and/or layout for one or more of the following purposes:

- (a) To maintain a contemporary and attractive appearance;
- (b) To more efficiently locate retail or restaurant functions and products;
- (c) To conform to current retail or restaurant building standards and practices;
- (d) To standardize the consumer experience if a qualified taxpayer operates more than one qualified building;
- (e) To offer the most relevant and popular goods within the industry; or
- (f) To address changes in demographics by changing product or service offerings and their presentations.

(2) Exception. A remodel-refresh project does not include a planned undertaking solely to repaint or to clean the interior or exterior of an existing qualified building.

.04 Remodel-refresh costs mean amounts paid by a qualified taxpayer for remodel, refresh, repair, maintenance, or similar activities performed on a qualified building as part of a remodel-refresh project. See section 4.06 for excluded amounts. For purposes of the remodel-refresh safe harbor method of accounting provided in section 5, remodel-refresh costs are not treated as paid or incurred ("paid"), and therefore are not taken into account, until the taxable year when the capital expenditure

portion under the safe harbor, as determined under section 5.02(1), is placed in service within the meaning of § 1.46-3(d)(1)(ii). However, if the qualified building is sold or otherwise disposed of before the capital expenditure portion is placed in service, then the remodel-refresh costs are treated as paid in the taxable year such building is sold or otherwise disposed of. For purposes of this revenue procedure, an amount paid does not include an amount reimbursed to the qualified taxpayer, such as a lessee construction allowance.

.05 Remodel, refresh, repair, maintenance, or similar activities include, but are not limited to, the following activities:

- (1) Painting, polishing, or finishing interior walls;
- (2) Adding, replacing, repairing, maintaining, or relocating permanent floor, ceiling, or wall coverings, including millwork;
- (3) Adding, replacing, repairing, maintaining, or relocating kitchen fixtures;
- (4) Adding, replacing, or modifying signage or fixtures;
- (5) Relocating departments, eating areas, check-out areas, kitchen areas, beverage areas, management space, storage space, or similar areas, within the existing footprint of the qualified building;
- (6) Increasing or decreasing the square footage of departments, eating areas, check-out areas, kitchen areas, beverage areas, management space, storage space, or similar areas within the existing footprint of the qualified building;
- (7) Adding, relocating, or removing a room or rooms (for example, dressing rooms, “private” dining space, front office space, or break rooms) within the existing footprint of the qualified building;

(8) Moving, constructing, or altering walls within the existing footprint of the qualified building;

(9) Adding, relocating, removing, replacing, or re-lamping lighting fixtures, or adding reflectors, mirrors, or other similar devices to existing lighting fixtures;

(10) Repairing, maintaining, retrofitting, relocating, adding, or replacing building systems defined in § 1.263(a)-3(e)(2)(ii)(B) within the existing footprint of the qualified building;

(11) Making non-structural changes to exterior facades;

(12) Relocating, replacing, or adding windows or doors (including replacing a manual door with an automatic door) within the existing footprint of the qualified building;

(13) Repairing, maintaining, or replacing the roof or portion of the roof within the existing footprint of the qualified building;

(14) Replacing façade materials around windows and entrances;

(15) Repair and maintenance to the qualified building that directly benefits or is incurred by reason of a remodel-refresh project;

(16) Removal and demolition, other than demolition subject to § 280B, of structural components of a qualified building (for example, insulation, windows, drywall, and similar property) that directly benefit or are incurred by reason of a remodel-refresh project;

(17) Obtaining permits or other similar authorizations that directly benefit or are incurred by reason of a remodel-refresh project; and

(18) Architectural, engineering, and similar services that directly benefit or are

incurred by reason of a remodel-refresh project.

.06 Excluded remodel-refresh costs mean amounts paid during a remodel-refresh project for--

- (1) Section 1245 property (as defined in § 1245(a)(3));
- (2) An intangible under § 1.263(a)-4(b), including the creation or maintenance of computer software;
- (3) Land, including nondepreciable land improvements, or depreciable land improvements described in Asset Class 00.3 of Rev. Proc. 87-56, 1987-2 C.B. 674 (for example, sidewalks, parking lots, depreciable landscaping);
- (4) The initial acquisition, production, or lease of a qualified building, including purchase price, construction costs, transaction costs, and the costs of work performed prior to the date that the qualified building is initially placed in service by the qualified taxpayer;
- (5) The initial build-out of a leased qualified building, or a portion thereof, for a new lessee;
- (6) Activities to rebrand a qualified building performed within two taxable years following the closing date of (1) an acquisition or initial lease of the qualified building by the qualified taxpayer or a person related, within the meaning of § 267(b) or § 707(b), to the qualified taxpayer or (2) the acquisition by the qualified taxpayer or a person related, within the meaning of § 267(b) or § 707(b), to the qualified taxpayer of a controlling interest in the qualified building or in a lease of the qualified building;
- (7) Activities performed to ameliorate a material condition or defect that existed prior to the qualified taxpayer's acquisition or lease of the qualified building or that arose

during the production of the qualified building (generally, an unusual event in the retail or restaurant business), regardless of whether the qualified taxpayer was aware of the condition or defect at the time of acquisition or production;

(8) Material additions to a qualified building, including the building systems defined in § 1.263(a)-3(e)(2)(ii)(B). Solely for purposes of this revenue procedure, additions mean enlarging, expanding, or extending the square footage of the qualified building, or enlarging, expanding, or extending the building systems in conjunction with enlarging, expanding, or extending the square footage of the qualified building.

(9) Restoration caused by damage to the qualified building for which the qualified taxpayer is required to take a basis adjustment as a result of a casualty loss under § 165, or relating to a casualty event described in § 165, subject to the limitation in § 1.263(a)-3(k)(4);

(10) Adapting more than twenty percent (20%) of the total square footage of a qualified building to new or different use or uses, as described in § 1.263(a)-3(l), as part of a remodel-refresh project. For this purpose, square footage is measured based on the total square footage of the qualified building prior to the remodel-refresh project at issue.

(11) Remodel-refresh costs incurred during a temporary closing. A temporary closing is closing the qualified building during normal business hours for more than 21 consecutive calendar days.

(12) The cost of any property for which the qualified taxpayer has claimed a deduction under § 179, § 179D, or § 190.

.07 Qualified costs are the qualified taxpayer's remodel-refresh costs less the

qualified taxpayer's excluded remodel-refresh costs. For documentation requirements for the qualified costs, see section 5.02(2).

.08 Applicable Financial Statement means an applicable financial statement defined under § 1.263(a)-1(f)(4). If the qualified taxpayer's financial results are reported on an applicable financial statement defined under § 1.263(a)-1(f)(4) for a group of entities, then for purposes of this revenue procedure and the application of the remodel-refresh safe harbor provided in section 5, the group's applicable financial statement is the applicable financial statement of the qualified taxpayer.

SECTION 5. REMODEL-REFRESH SAFE HARBOR METHOD OF ACCOUNTING

.01 In general. This section 5 provides the remodel-refresh safe harbor method of accounting for a qualified taxpayer within the scope of this revenue procedure. This safe harbor determines the amount of the qualified costs that are deducted under § 162 and the amount of such costs that are required to be capitalized under §§ 263(a) and 263A. The safe harbor also provides for the treatment of the capitalized amount for depreciation and disposition purposes. Except as provided in section 5.02(4)(c) or 5.02(5)(b), the remodel-refresh safe harbor applies to all of the qualified taxpayer's qualified costs paid (within the meaning of section 4.04) during the taxable year. Except as provided in section 5.02(4)(c) or 5.02(5)(b), a qualified taxpayer within the scope of this revenue procedure who uses the remodel-refresh safe harbor is required to use the method for all of its qualified costs (defined in section 4.07) until the qualified taxpayer secures permission from the IRS to use another method of accounting.

.02 Remodel-refresh safe harbor. To use the remodel-refresh safe harbor, the qualified taxpayer is required to comply with sections 5.02(1), 5.02(2), 5.02(3), 5.02(4),

5.02(5), and 5.02(6).

(1) Allocation of qualified costs. The qualified taxpayer must treat 75% of its qualified costs paid during the taxable year as amounts deductible under § 162(a) (“the deduction portion”) and must treat the remaining 25% of its qualified costs paid during the taxable year as costs for improvements to a qualified building under § 263(a) and as costs for the production of property for use in the qualified taxpayer’s trade or business under § 263A (“the capital expenditure portion”).

(2) Documentation requirements. A qualified taxpayer utilizing the remodel-refresh safe harbor provided in this section 5 must document its qualified costs in a manner substantially similar to the standard set forth in Appendix A to this revenue procedure.

(3) Treatment of the capital expenditure portion.

(a) Capitalized amounts. The capital expenditure portion must be charged to capital account.

(b) Depreciation of capitalized amounts.

(i) General rule. The capital expenditure portion for each qualified building is a separate asset (or separate assets if the remodel-refresh project produces property qualifying under §§ 168(e)(2)(B) and 168(e)(6), (e)(7), or (e)(8)) for depreciation purposes and is depreciated under §§ 167 and 168 beginning when the capital expenditure portion is placed in service by the qualified taxpayer, taking into account the applicable convention under § 168(d). The qualified taxpayer must make an election to include the capital expenditure portion in a general asset account under § 168(i)(4) and § 1.168(i)-1. See section 5.02(6) for the general asset account election.

(ii) Classification under § 168(e). For purposes of determining the appropriate classification under § 168(e), the capital expenditure portion is treated as qualified leasehold improvement property (as defined in § 168(e)(6)) under § 168(e)(3)(E)(iv), as qualified restaurant property (as defined in § 168(e)(7)) under § 168(e)(3)(E)(v), or as qualified retail improvement property (as defined in § 168(e)(8)) under § 168(e)(3)(E)(ix), as applicable, only to the extent that the qualified taxpayer can substantiate that the capital expenditure portion is qualified leasehold improvement property, qualified restaurant property, or qualified retail improvement property, as applicable. The remaining capital expenditure portion is classified as nonresidential real property under § 168(e)(2)(B). Also, if § 168(e)(3)(E)(iv), (v), or (ix), as applicable, is not in effect when the qualified taxpayer places in service the capital expenditure portion, the capital expenditure portion is classified as nonresidential real property under § 168(e)(2)(B).

(c) Disposition of capitalized amounts. The capital expenditure portion for each qualified building is a separate asset (or separate assets if the remodel-refresh project produces property qualifying under §§ 168(e)(2)(B) and 168(e)(6), (e)(7), or (e)(8)) for disposition purposes. See § 1.168(i)-1(e)(2)(viii)(B)(4).

(4) Limitation on partial disposition elections.

(a) General rule. A qualified taxpayer must not make the partial disposition election under § 1.168(i)-8(d)(2), Prop. Reg. § 1.168(i)-8(d)(2), section 6.33 of the Appendix of Rev. Proc. 2011-14, or section 6.33 of Rev. Proc. 2015-14 for any portion of an original qualified building or any portion of any improvement or addition to an original qualified building.

(b) Revocation of partial disposition election made in a prior year.

(i) General rule. If a qualified taxpayer made the partial disposition election under § 1.168(i)-8(d)(2), Prop. Reg. § 1.168(i)-8(d)(2), section 6.33 of the Appendix of Rev. Proc. 2011-14, or section 6.33 of Rev. Proc. 2015-14 for any portion of an original qualified building, or any portion of an improvement or addition to an original qualified building, prior to the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor, the qualified taxpayer must revoke that partial disposition election.

(ii) Time and manner of revoking prior year's partial disposition election. If, under section 5.02(4)(b)(i), a qualified taxpayer must revoke a partial disposition election, the Commissioner grants the qualified taxpayer consent to revoke that election provided the qualified taxpayer makes this revocation within the time and in the manner described in this section 5.02(4)(b)(ii). The qualified taxpayer may revoke the partial disposition election by filing either:

(A) An amended federal tax return for the taxable year for which the partial disposition election was made if the period of limitations on assessment under § 6501(a) for that taxable year has not expired before the date stated in the next sentence. This amended return must be filed no later than the due date, including extensions, of the qualified taxpayer's federal tax return for the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor. This amended return must include the adjustment to taxable income for the revocation of the partial disposition election and any collateral adjustments to taxable income or to tax liability (for example, allowable depreciation in that taxable year for the portion of the asset to which the revocation pertains). Such collateral adjustments must also be made on amended

federal tax returns for any affected succeeding taxable year; or

(B) A Form 3115, *Application for Change in Accounting Method*, with the qualified taxpayer's timely filed original federal tax return for the qualified taxpayer's first or second taxable year beginning after December 31, 2013. The revocation of the partial disposition election under this section 5.02(4)(b)(ii)(B) will be treated as a change in method of accounting only during this limited period of time. The manner of making this revocation is described in section 7.02(1). This Form 3115 must include under § 481(a) the adjustment to taxable income for the revocation of the partial disposition election and any collateral adjustments to taxable income (for example, allowable depreciation in that taxable year for the portion of the asset to which the revocation pertains). The qualified taxpayer must take the entire amount of the § 481(a) adjustment into account in computing its taxable income for the year of change.

(c) Qualified taxpayer does not revoke the partial disposition election. If, under section 5.02(4)(b)(i), a qualified taxpayer must revoke a partial disposition election but the qualified taxpayer does not make this revocation within the time and in the manner provided in section 5.02(4)(b)(ii), then the change in method of accounting to utilize the remodel-refresh safe harbor is made on a cut-off basis for the qualified building to which the unrevoked partial disposition election pertains.

(5) Disposition of a component of a qualified building.

(a) General rule. This section 5.02(5) applies to a qualified taxpayer that recognized a gain or loss upon the disposition of a component of a qualified building, a structural component of a qualified building, or a component of such structural component (i) under § 1.168(i)-1T or § 1.168(i)-8T, as applicable, and that component

or structural component is not an improvement or addition as described in § 1.168(i)-1T(e)(2)(viii)(B)(5) or § 1.168(i)-8T(c)(4)(ii)(E), as applicable, or (ii) in a taxable year beginning before January 1, 2012, and that component or structural component is MACRS property (as defined in § 1.168(b)-1(a)(2)). If the qualified taxpayer or the IRS changed the qualified taxpayer's method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4) (determination of asset disposed of), as applicable, and to make a partial disposition election for such disposition under § 1.168(i)-1, § 1.168(i)-8, Prop. Reg. § 1.168(i)-1, Prop. Reg. § 1.168(i)-8, section 6.33 of the Appendix of Rev. Proc. 2011-14, or section 6.33 of Rev. Proc. 2015-14, as applicable (thereby, for example, changing from recognizing gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, as applicable, to recognizing the gain or loss under § 1.168(i)-1 or § 1.168(i)-8, as applicable, for the partial disposition), section 5.02(4) applies instead of this section 5.02(5).

(b) Change in method of accounting. If this section 5.02(5) applies, the qualified taxpayer must (i) change its present method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4) (determination of asset disposed of), as applicable, on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor, and (ii) take the entire amount of the § 481(a) adjustment into account in computing the qualified taxpayer's taxable income for that year of change. See sections 6.38(3)(a) and 6.38(8)(a) of Rev. Proc. 2015-14, 2015-5 I.R.B. 450 (or its successor) (building or structural component), and sections 6.40(3)(a) and 6.40(6)(a) of Rev. Proc. 2015-14 (general asset account). A qualified taxpayer that does not comply with these conditions is not eligible to use the remodel-refresh safe

harbor for any qualified costs paid prior to the year of change (for a change made by the qualified taxpayer or the IRS under section 6.38(3)(a) or 6.40(3)(a) of Rev. Proc. 2015-14, as applicable) for the qualified building to which the gain or loss pertains.

(6) Requirement to use general asset accounts.

(a) General rule. A qualified taxpayer must make a general asset account election under § 168(i)(4) and § 1.168(i)-1(l) to include in a general asset account any asset that is MACRS property and that comprises a qualified building. Thus, a qualified taxpayer must include in general asset accounts:

(i) The capital expenditure portion;

(ii) Existing qualified buildings (including their structural components) that are MACRS property (see section 5.02(6)(d) for making a late general asset account election); and

(iii) Prior years' improvements that are MACRS property and made to a qualified building (even if the qualified building is not MACRS property) (see section 5.02(6)(d) for making a late general asset account election).

(b) Exception. If a qualified taxpayer is not eligible to use the remodel-refresh safe harbor for certain qualified costs pursuant to section 5.02(4)(c) or section 5.02(5)(b), the qualified taxpayer is not required to include in general asset accounts:

(i) The existing qualified building (including its structural components) to which those qualified costs pertain; and

(ii) Improvements made to that qualified building and placed in service prior to the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor.

(c) Establishing general asset accounts.

(i) General rule. In establishing a general asset account, all assets that are MACRS property, that comprise qualified buildings, that are placed in service in the same taxable year, and that meet the requirements in § 1.168(i)-1(c)(2), must be grouped in the same general asset account. However, see section 5.02(6)(c)(ii) for an exception to this general rule.

(ii) Original qualified buildings (including their structural components). A qualified taxpayer may include in one general asset account the original cost of an original qualified building, including its original structural components, if such building and structural components are MACRS property and meet the requirements in § 1.168(i)-1(c)(2). If a qualified taxpayer has multiple qualified buildings, the qualified taxpayer may have separate general asset accounts for the original cost of each original qualified building, including the original structural components of that building. Any improvement made to a qualified building cannot be included in the general asset account or accounts permitted under this section 5.02(6)(c)(ii).

(d) Late general asset account election. A qualified taxpayer must make a late general asset account election under § 168(i)(4) and § 1.168(i)-1 to include in a general asset account any asset that is MACRS property, that comprises a qualified building, that was placed in service in a taxable year prior to the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor, and that is owned by the qualified taxpayer at the beginning of the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor. The qualified taxpayer must make this late election on its original federal tax return for the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor. The IRS will treat the making of the late

general asset account election under this section 5.02(6)(d) as a change in method of accounting under § 446(e). The manner of making this change in method of accounting is described in section 7.02(2).

(e) Effect of late election. By making the general asset account election under section 5.02(6)(d), the qualified taxpayer consents to, and agrees to apply, all of the provisions of § 1.168(i)-1 to the assets included in a general asset account. See § 1.168(i)-1(l)(1). Accordingly, if the qualified taxpayer's present methods of accounting are not in accord with § 1.168(i)-1, the qualified taxpayer must change to the methods of accounting permitted under § 1.168(i)-1 no later than the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor. For example, if the qualified taxpayer's present method of accounting is not in accord with § 1.168(i)-1(e)(2)(viii) (determination of asset disposed of), the qualified taxpayer must change to the appropriate asset as determined under § 1.168(i)-1(e)(2)(viii) by making the change specified in section 6.40(3)(a) of Rev. Proc. 2015-14 no later than the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor. But if the qualified taxpayer recognized a gain or loss under § 1.168(i)-1T, § 1.168(i)-8T, or in a taxable year beginning before January 1, 2012, as applicable, on the disposition of a portion of the asset (as determined under § 1.168(i)-1(e)(2)(viii)) in a taxable year prior to the year of change, see section 5.02(5)(b).

(f) Qualifying dispositions. The cessation, termination, or disposition of an entire qualified building, other than by transfer to a supplies, scrap, or similar account, is a qualifying disposition under § 1.168(i)-1(e)(3)(iii)(B)(3), provided that all other requirements in § 1.168(i)-1(e)(3)(iii)(B) are met. If a lessee terminates the lease for an

entire qualified building and irrevocably disposes of or abandons the leasehold improvements associated with that qualified building other than by transfer to a supplier, scrap, or similar account, such disposition is a qualifying disposition under § 1.168(i)-1(e)(3)(iii)(B)(3), provided that all other requirements in § 1.168(i)-1(e)(3)(iii)(B) are met. However, the disposition of an improvement as a result of a remodel-refresh project does not constitute a qualifying disposition under § 1.168(i)-1(e)(3)(iii)(B)(3).

.03 Applicability of § 263A. Amounts paid to which the qualified taxpayer applies the remodel-refresh safe harbor are not capitalized separately under § 263A(a)(1)(B) and (b)(1) as a direct or indirect cost of producing property used in the qualified taxpayer's trade or business. However, a qualified taxpayer that produces for sale or acquires for resale property described in § 1221(a) must capitalize separately under § 263A the direct costs of producing or acquiring such property and the property's properly allocable share of indirect costs. See §§ 1.263A-2 and 1.263A-3.

.04 Treatment of excluded remodel-refresh costs. Excluded remodel-refresh costs under section 4.06 are not eligible for the remodel-refresh safe harbor. Accordingly, excluded remodel-refresh costs must be deducted or capitalized in accordance with the provisions of the Code and regulations that are otherwise applicable. See, for example, § 1.162-4 (repairs); § 1.263(a)-2 (amounts paid to acquire and produce tangible property); § 1.263(a)-3 (costs to improve units of property); and § 263A (capitalization and inclusion in inventory costs of certain costs). For depreciation and dispositions of excluded remodel-refresh costs that are capital expenditures, see § 168 and §§ 1.168(i)-1 and 1.168(i)-8, as applicable.

.05 Coordination with other safe harbor methods and elections.

(1) Treatment of amounts eligible for safe harbor for small taxpayers under § 1.263(a)-3(h). A qualified taxpayer that uses the remodel-refresh safe harbor may not elect to apply the safe harbor for small taxpayers under § 1.263(a)-3(h) to amounts paid for repair, maintenance, improvement, or similar activities related to a remodel-refresh project during the taxable year.

(2) Treatment of amounts eligible for the safe harbor for routine maintenance. A qualified taxpayer that uses the remodel-refresh safe harbor may not utilize the safe harbor for routine maintenance under § 1.263(a)-3(i) for amounts paid for qualified costs that are subject to the remodel-refresh safe harbor method. This rule does not apply to amounts paid for excluded remodel-refresh costs or amounts not incurred in a remodel-refresh project.

SECTION 6. EXAMPLES

The following examples illustrate the application of this revenue procedure. In each example, it is assumed that V, W, X, and Y are qualified taxpayers within the scope of this revenue procedure, that V, W, X, and Y file their federal income tax returns on a calendar year basis, that they have not elected to apply the de minimis safe harbor under § 1.263(a)-1(f) during such taxable year, and that, unless otherwise stated, they use the remodel-refresh safe harbor method of accounting. It is also assumed that § 110 does not apply to the amounts paid by V, W, X, and Y, that any amounts paid by V, W, X, and Y that qualify as capital expenditures are depreciated under §§ 167 and 168, and that section 5.02(4) and section 5.02(5) do not apply to any of V's, W's, and Y's qualified buildings. The following examples do not address the requirement or

computation of the § 481(a) adjustment, if applicable, for purposes of changing the qualified taxpayers' methods of accounting under section 7 of this revenue procedure.

Example 1. (i) V is in the trade or business of operating a nationwide chain of retail stores that sell a variety of retail goods to customers. To maintain a contemporary and attractive environment, to continue to offer the most relevant and popular products, and to reflect the changing demographics of its customers, V periodically undertakes planned projects whereby it incurs amounts to alter the physical appearance and layout of the buildings it uses for its retail sales. These projects often include the remodel, refresh, repair, and maintenance of § 1250 property that is comprised of V's qualified buildings and § 1245 property that is located within these qualified buildings. Each project includes activities such as relocating or changing the square footage of certain departments, check-out areas, storage spaces, and dressing rooms within the footprint of the existing buildings; removing, constructing, and altering walls within the footprint of the existing buildings; moving lighting and replacing lighting fixtures with more efficient lighting; replacing bathroom fixtures with more updated and efficient fixtures; replacing or reconfiguring display tables and racks; patching and repainting interior walls and exterior structures; and replacing floor tiles, ceiling tiles, and signage. These projects also include changes to the electrical systems, HVAC systems, and plumbing systems within the buildings' existing footprints to accommodate the structural changes, new product offerings, and bathroom upgrades. V's retail stores remain open to customers during the project, although parts of the store buildings are closed at different times during the process. In Year 1, V pays \$3 million for these activities to be performed on one of its qualified buildings and places the related property into service. Of the \$3

million, V pays \$1 million for § 1245 property, including new display tables and racks, information kiosks, check-out counters, and other equipment. For Year 1, V files a change in method of accounting to use the remodel-refresh safe harbor method of accounting.

(ii) V's \$3 million project on its building is a remodel-refresh project as described in section 4.03 because V pays amounts to alter the physical appearance and layout of its retail sales building to maintain a contemporary and attractive environment, to continue to offer the most relevant and popular products, and to reflect the changing demographics of its customers. Of the \$3 million remodel-refresh costs paid for the project, \$1 million was paid for § 1245 property, which is treated as excluded remodel-refresh costs under section 4.06(1). Accordingly, under section 4.07 V incurs \$2 million of qualified costs (\$3 million remodel-refresh costs less \$1 million excluded remodel-refresh costs). Under the remodel-refresh safe harbor method of accounting: (A) V treats 75% of the \$2 million qualified costs (\$1,500,000,00) as amounts deductible under § 162 in Year 1, the taxable year the improvements to the qualified building are placed in service, and V treats the remaining 25% of the \$2 million qualified costs (\$500,000) as improvements to the qualified building that must be capitalized in Year 1 under §§ 263(a) and 263A; (B) V depreciates the \$500,000 of improvements under §§ 167 and 168, and classifies the \$500,000 of improvements under § 168(e) in accordance with section 5.02(3)(b)(ii); and (C) V makes a general asset account election to include the \$500,000 of improvements in a general asset account (or multiple general asset accounts if the costs are for improvements with different recovery periods). Because Year 1 is the first taxable year that V uses the remodel-refresh safe

harbor method of accounting, V also must make a late general asset account election to include in general asset accounts all assets that are MACRS property that comprise the qualified building, that are placed in service by V before Year 1, and that are owned by V at the beginning of Year 1. Because the qualified building (including the structural components) is in a general asset account, V would not recognize a loss for, and would continue to depreciate, the amounts allocable to the portions of the building and building systems removed as part of the remodel-refresh project. Finally, to determine the tax treatment of the \$1 million it paid for excluded remodel-refresh costs (costs for § 1245 property), V must analyze these costs under §§ 162, 263, and 263A, and the corresponding regulations.

Example 2. Assume the same facts as Example 1, except during V's remodel-refresh project, a portion of the \$2 million paid for the project is for constructing an addition to the back of the qualified building to increase its storage and unloading space. This addition materially increases the square footage of the qualified building. The work also involves adding extensions to the electrical system and the HVAC system of the building to provide lighting, power, and ventilation throughout the new space. As part of the material addition to the qualified building, the extensions of the electrical system and HVAC system also constitute material additions. Thus, the amounts paid for these additions, including related removals costs for the previously existing wall and any removed HVAC and electrical system components, are excluded remodel-refresh costs under section 4.06(8) and, as such, are excluded from the qualified costs for purposes of applying the remodel-refresh safe harbor.

For purposes of applying the remodel-refresh safe harbor, V must exclude from

qualified costs the amount paid for constructing the addition to the back of the qualified building and extending the electrical and HVAC systems through this addition, and these excluded costs must be analyzed separately under §§ 162, 263, and 263A, and the corresponding regulations, and be treated in accordance with those provisions (or any other applicable provisions). However, V may apply the remodel-refresh safe harbor method to the amounts in Example 1 that are qualified costs (\$2 million less the amount paid for constructing the addition to the back of the qualified building and extending the electrical and HVAC systems through this addition). In addition, because the qualified building (including its structural components) is in a general asset account, V would not recognize a loss for, and would continue to depreciate, the amounts allocable to the portions of the building, electrical system, and HVAC system removed as part of the remodel-refresh project.

Example 3. Assume the same facts as Example 1, except during V's remodel-refresh project, V pays \$100,000 (of the \$3 million total) to reinforce the foundation of the qualified building by sealing cracks and adding additional structural support to the building's basement. Beginning prior to the date V acquired the qualified building, the building began shifting and sinking as a result of inadequate foundation support. The sealing and addition of structural support in the building's basement consist of activities that ameliorate the inadequate foundation support, a material condition or defect that existed prior to V's acquisition of the building. Accordingly, the amounts paid by V for this work constitute excluded remodel-refresh costs under section 4.06(7) of this revenue procedure and are not included in determining qualified costs for purposes of applying the remodel-refresh safe harbor.

Thus, V must exclude the \$100,000 paid to reinforce the foundation of the qualified building from qualified costs, and these excluded costs must be analyzed under §§ 162, 263, and 263A, and corresponding regulations, and treated in accordance with those provisions (or any other applicable provisions). However, V may still apply the remodel-refresh safe harbor method to the \$1,900,000 of qualified costs (\$3,000,000 less \$1,100,000). In addition, because the qualified building (including its structural components) is in a general asset account, V would not recognize a loss for, and would continue to depreciate, the amounts allocable to the portions of the qualified building removed by reason of this work.

Example 4. Assume the same facts as Example 1, except V is in the trade or business of operating a nationwide chain of hardware stores that sell a variety of home maintenance and home improvement goods to customers. As a part of V's remodel-refresh project on its qualified building, V pays \$80,000 (of the \$3 million total) in Year 1 to add an office suite that uses 20% of the square footage of the qualified building's existing footprint, measured prior to beginning the remodel-refresh project. V intends to use this suite to offer home design and architectural services that will be provided in addition to V's primary business of selling retail hardware goods.

Because the addition of the new office suite is part of V's remodel-refresh project and consists of adding rooms within the existing footprint of the building, the amounts paid to construct the office suite constitute remodel-refresh costs under sections 4.04 and 4.05. Moreover, because the addition of the new suite does not expand or extend the square footage of the qualified building and does not adapt more than 20% of the floor space of the qualified building to a new or different use under § 1.263(a)-3(l), the

amounts paid to construct the office suite do not constitute excluded remodel-refresh costs under section 4.06(10). Therefore, provided that no other exclusion under section 4.06 applies, the amounts paid to construct the office suite are part of the \$2 million of qualified costs under the remodel-refresh safe harbor method. In addition, because the qualified building (including its structural components) must be placed in a general asset account, V would not recognize a loss for, and would continue to depreciate, the amounts allocable to the portions of the building and building systems removed as part of the remodel-refresh project.

Example 5. W is in the trade or business of operating several restaurants that prepare and sell meals, snacks, and beverages to customer order for immediate on-premises and/or off-premises consumption. W periodically undertakes remodel-refresh projects of the buildings it uses for its restaurants. For these projects, which W performs every 5 years, W qualified for and adopted the remodel-refresh safe harbor method in Year 1. W completed the last remodel-refresh project on qualified building A in Year 1 and applied the remodel-refresh safe harbor to that remodel-refresh project's qualified costs. In Year 3, W experiences climate control problems in the dining area of its qualified building A and consults with a contractor to determine the cause. The contractor recommends that W replace one of the two roof mounted HVAC units that provide heating and cooling to qualified building A. In Year 3, W pays amounts to replace one of the HVAC units as recommended by the contractor. Because the replacement of components of the HVAC system in qualified building A is not undertaken by W to alter the physical appearance or layout of qualified building A, the amounts paid for the HVAC component replacement are not remodel-refresh costs as

defined under section 4.04. Accordingly, the remodel-refresh safe harbor method does not apply to the amounts paid by W to replace the HVAC unit. Rather, W's costs must be analyzed separately under §§ 162, 263, and 263A, and the corresponding regulations, and treated in accordance with those provisions (or any other applicable provisions). In addition, because qualified building A and its structural components are in general asset accounts, W would not recognize a loss for, and would continue to depreciate, the remaining adjusted basis of the HVAC unit replaced.

Example 6. X is in the trade or business of operating a nationwide chain of retail stores that sell a variety of retail goods to customers. X periodically undertakes remodel-refresh projects for the buildings it uses for its retail sales. With its federal tax return for the taxable year ended December 31, 2012, X filed a Form 3115 to change its method of accounting for dispositions to be in accord with § 1.168(i)-8T(c)(4) and to recognize a loss upon the disposition of the roof of qualified building B. In 2015, X pays for a remodel-refresh project on qualified building B. For the 2013 through 2015 taxable years, X did not file a Form 3115 to change its method of accounting to be in accord with § 1.168(i)-8. With its federal tax return for the taxable year ending December 31, 2015, X files a Form 3115 to begin using the remodel-refresh safe harbor. Pursuant to section 5.02(5)(b), X cannot apply the remodel-refresh safe harbor to the amounts paid for any remodel-refresh project on qualified building B before the year of change applicable to a Form 3115 filed by X to change its method of accounting to be in accord with § 1.168(i)-8. Therefore, the remodel-refresh safe harbor does not apply to the costs paid in 2015 for the 2015 remodel-refresh project on qualified building B.

Example 7. The facts are the same as in Example 6, except that X files a Form 3115 with its federal tax return for the taxable year ending December 31, 2016, to change its method of accounting to be in accord with § 1.168(i)-8 and takes the entire amount of the net positive § 481(a) adjustment into account in computing its taxable income for that taxable year. Also, in 2019, X pays for a new remodel-refresh project on qualified building B. Pursuant to section 5.02(5)(b), X cannot apply the remodel-refresh safe harbor to the amounts paid for any remodel-refresh project on qualified building B before the year of change applicable to a Form 3115 filed by X to change its method of accounting to be in accord with § 1.168(i)-8. Therefore, the remodel-refresh safe harbor does not apply to any costs paid before 2016 for any remodel-refresh project on qualified building B. However, X filed the applicable Form 3115 in 2016 and took the entire amount of the net positive § 481(a) adjustment into account in computing its taxable income for that taxable year. Therefore, the remodel-refresh safe harbor applies to the costs paid in 2019 for the 2019 remodel-refresh project on qualified building B.

Example 8. The facts are the same as in Example 6, except X filed a Form 3115 with its federal tax return for the taxable year ended December 31, 2014, to change its method of accounting to be in accord with § 1.168(i)-8 and to make a late partial disposition election for the roof of qualified building B. For the 2015 taxable year, X has not revoked such partial disposition election. Pursuant to section 5.02(4)(c), X cannot apply the remodel-refresh safe harbor to the amounts paid for any remodel-refresh project for qualified building B that are paid before the taxable year in which X changes its method of accounting to utilize the remodel-refresh safe harbor. Therefore, the

remodel-refresh safe harbor does not apply to the costs paid before 2015 for any remodel-refresh project on qualified building B but does apply to the costs paid in 2015 and subsequent taxable years for any remodel-refresh project on qualified building B.

Example 9. The facts are the same as in Example 8, except X files a Form 3115 to begin using the remodel-refresh safe harbor with its federal tax return for the taxable year ending December 31, 2016. Pursuant to section 5.02(4)(c), X cannot apply the remodel-refresh safe harbor to the amounts paid for any remodel-refresh project for qualified building B that are paid before the taxable year in which X changes its method of accounting to utilize the remodel-refresh safe harbor. Therefore, the remodel-refresh safe harbor does not apply to the costs paid before 2016 for any remodel-refresh project on qualified building B but does apply to the costs paid in 2016 and subsequent taxable years for any remodel-refresh project on qualified building B.

Example 10. Y is in the trade or business of operating two restaurants that prepare and sell meals, snacks, and beverages to customer order for immediate on-premises and/or off-premises consumption. The two restaurant buildings that Y uses for preparing and selling food are qualified building E and qualified building F. Y acquired both buildings and placed them in service in March 2007. In February 2010, Y completed a remodel-refresh project on qualified building E and paid \$8 million in qualified costs for that project. At the same time, Y also completed a remodel-refresh project on qualified building F and paid \$4 million in qualified costs for that project. With its federal tax return for the taxable year ended December 31, 2015, Y filed a Form 3115 to begin using the remodel-refresh safe harbor. As a result, for the February 2010 project for qualified building E, Y treats 75% of the \$8 million qualified costs (\$6 million)

as amounts deductible under § 162 and treats the remaining 25% of the \$8 million qualified costs (\$2 million) as improvements to qualified building E that must be capitalized under §§ 263(a) and 263A. In addition, for the February 2010 project for qualified building E, Y treats 75% of the \$4 million qualified costs (\$3 million) as amounts deductible under § 162 and treats the remaining 25% of the \$4 million qualified costs (\$1 million) as improvements to qualified building E that must be capitalized under §§ 263(a) and 263A. On the same Form 3115, Y made a late general asset account (GAA) election to include in general asset accounts the original cost of qualified building E and its \$2 million of improvements and the original cost of qualified building E and its \$1 million of improvements. Qualified buildings E and E and their improvements are nonresidential real property for purposes of § 168. In accordance with section 5.02(6)(c) and § 1.168(i)-1(c)(2), Y establishes three general asset accounts: one for the original cost of qualified building E (GAA #1), one for the original cost of qualified building E (GAA #2), and one for the improvements in the total amount of \$3 million to qualified buildings E and E (GAA #3).

Example 11. The facts are the same as in Example 10, except Y sells qualified building E to an unrelated party in 2016. This transaction is a qualifying disposition under § 1.168(i)-1(e)(3)(iii)(B)(3) and section 5.02(6)(f). Also, because GAA #2 includes only one asset, the original qualified building E, Y has disposed of all of the assets in GAA #2. As a result, Y may do the following: (A) elect to apply § 1.168(i)-1(e)(3)(ii) to terminate GAA #2 and recognize gain or loss for GAA #2; and (B) elect to apply § 1.168(i)-1(e)(3)(iii) to remove the improvements for qualified building E (original cost of \$1 million) from GAA #3 and to put such improvements into a single asset account

under § 1.168(i)-7, as of January 1, 2016. If Y makes the election under § 1.168(i)-1(e)(3)(iii), Y will recognize gain or loss for the improvements for qualified building E under § 1.168(i)-8.

SECTION 7. CHANGE IN METHOD OF ACCOUNTING

.01 In general. Except as provided in section 7.02(1), a change to the remodel-refresh safe harbor method of accounting provided in section 5.02 for remodel-refresh costs is a change in method of accounting to which the provisions of §§ 446 and 481, and the corresponding regulations, apply. A qualified taxpayer that wants to change to the method of accounting described in this revenue procedure must use the automatic change procedures in Rev. Proc. 2015-13, 2015-5 I.R.B. 419, or its successor, except as otherwise provided in section 7.02.

.02 Automatic change.

(1) Rev. Proc. 2015-14 is modified to add new section 6.43 to read as follows:

6.43 Revocation of partial disposition election under the remodel-refresh safe harbor described in Rev. Proc. 2015-56

(1) Description of change.

(a) Applicability. This change applies to a qualified taxpayer as defined in section 4.01 of Rev. Proc. 2015-56 and that is within the scope of Rev. Proc. 2015-56 and wants to revoke a partial disposition election, as provided in section 5.02(4)(b)(ii)(B) of Rev. Proc. 2015-56, related to a qualified building, as defined in section 4.02 of Rev. Proc. 2015-56, for which the qualified taxpayer uses the remodel-refresh safe harbor method of accounting provided in section 5.02 of Rev. Proc. 2015-56. See section 10.13 for making a change to this safe harbor method of accounting.

(b) Inapplicability. The IRS will treat the revocation of the partial disposition election specified in section 6.43(1)(a) as a change in method of accounting only for the taxable years specified in section 6.43(2). This treatment does not apply to a qualified taxpayer, as described in section 6.43(1)(a), that makes this revocation before or after the time specified in section 6.43(2), and any such revocation is not a change in method of accounting pursuant to § 1.446-1(e)(2)(ii)(d)(3)(iii).

(2) Time for making the change. The change under this section 6.43 must be made for the qualified taxpayer's first or second taxable year beginning after December 31, 2013.

(3) Certain eligibility rules temporarily inapplicable.

(a) In general. The eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to this change for the qualified taxpayer's first or second taxable year beginning after December 31, 2013.

(b) Concurrent automatic change. If a qualified taxpayer makes both a change under this section 6.43 and a change under section 10.13 for its first or second taxable year beginning after December 31, 2013, on a single Form 3115 for the same asset for the same year of change in accordance with section 6.43(6)(b), the eligibility rules in sections 5.01(1)(d) and (f) of Rev. Proc. 2015-13 do not apply to the qualified taxpayer for either change.

(4) Section 481(a) adjustment period. A qualified taxpayer making this change must take the entire § 481(a) adjustment into account in computing taxable income for the year of change.

(5) Reduced filing requirement for qualified small taxpayers. A qualified small

taxpayer, as defined in section 6.01(4)(b), may complete only the following information on Form 3115 (Rev. December 2009):

- (a) The identification section of page 1 (above Part I);
- (b) The signature section at the bottom of page 1;
- (c) Part I, line 1(a);
- (d) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (e) Part IV, lines 24, 25, and 26; and
- (f) Schedule E.

(6) Concurrent automatic change.

(a) A qualified taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A qualified taxpayer making this change and a change under section 10.13 for the same year of change should file a single Form 3115 for both changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for information on making concurrent changes.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 6.43 is "221."

(8) Contact information. For further information regarding a change under this section, contact Elizabeth R. Binder at (202) 317-7003 (not a toll-free call).

(2) Rev. Proc. 2015-14 is modified to add new section 10.13 to read as follows:

10.13 Remodel-refresh safe harbor method.

(1) Description of change.

(a) Applicability. This change applies to a qualified taxpayer as defined in section 4.01 of Rev. Proc. 2015-56 and within the scope of Rev. Proc. 2015-56 that wants to change to the remodel-refresh safe harbor method of accounting provided in section 5.02 of Rev. Proc. 2015-56 for its qualified costs, including the making of a late general asset account election as provided under section 5.02(6)(d) of Rev. Proc. 2015-56.

(b) Inapplicability. This change does not apply to the following:

(i) The revocation of a partial disposition election that is made pursuant to section 5.02(4)(b)(ii)(B) of Rev. Proc. 2015-56. See section 6.43 for making this revocation;

(ii) A change in determination of the asset disposed of described in section 5.02(5) of Rev. Proc. 2015-56 (which is made under section 6.38(3)(a) or 6.40(3)(a)). See section 10.13(6)(b) for making the change under section 6.38(3)(a) or 6.40(3)(a) as a concurrent change;

(iii) The making of a late general asset account election not provided under section 5.02(6)(d) of Rev. Proc. 2015-56;

(iv) If section 5.02(4)(c) of Rev. Proc. 2015-56 applies to a qualified building (partial disposition election made in a prior year and the qualified taxpayer did not revoke such election within the time and in the manner provided in section 5.02(4)(b)(ii) of Rev. Proc. 2015-56), any qualified costs paid for that qualified building prior to the year of change for a Form 3115 filed to make the change to the remodel-refresh safe

harbor method of accounting under this section 10.13; or

(v) If section 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building (recognized gain or loss under § 1.168(i)-1T or § 1.168(i)-8T, or in a taxable year beginning before January 1, 2012, for disposition of a component of a qualified building) and the qualified taxpayer did not make the required change in method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168-8(c)(4) on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor and take the entire amount of the § 481(a) adjustment into account in computing the qualified taxpayer's taxable income for that year of change, any qualified costs paid for that qualified building prior to the first taxable year that the qualified taxpayer or the IRS makes the change specified in section 6.38(3)(a) or 6.40(3)(a), as applicable, for that qualified building and takes into account the entire amount of the § 481(a) adjustment in computing taxable income for the year of change.

(2) Certain eligibility rules inapplicable.

(a) In general. The eligibility rules in sections 5.01(1) (d) and (f) of Rev. Proc. 2015-13, 2015-5 I.R.B. 419, do not apply to a qualified taxpayer that changes to a method of accounting provided under this section 10.13 for its first or second taxable year beginning after December 31, 2013.

(b) Concurrent automatic change. If a qualified taxpayer makes both a change under this section 10.13 and a change under section 6.37(3)(b), 6.38(3)(a), and/or 6.40 for its first or second taxable year beginning after December 31, 2013, on a single Form 3115 for the same asset for the same year of change in accordance with section 10.13(7)(b), the eligibility rules in sections 5.01(1) (d) and (f) of Rev. Proc. 2015-

13 do not apply to the qualified taxpayer for either change.

(3) No audit protection. If section 5.02(4)(c) or 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building (and, in the case of section 5.02(5)(b), the qualified taxpayer does not make the required change on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor), the qualified taxpayer does not receive audit protection under section 8.01 of Rev. Proc. 2015-13 in connection with this change for that qualified building. See section 8.02(2) of Rev. Proc. 2015-13.

(4) Manner of making change.

(a) Reduced filing requirement for qualified small taxpayers. A qualified small taxpayer, as defined in section 6.01(4)(b), may complete only the following information on Form 3115 (Rev. December 2009):

- (i) The identification section of page 1 (above Part I);
- (ii) The signature section at the bottom of page 1;
- (iii) Part I, line 1(a);
- (iv) Part II, all lines except lines 11, 13, 14, 15, and 17;
- (v) Part IV, lines 24, 25, and 26;
- (vi) Schedule E; and
- (vii) if applicable, the election statement described in section 10.13(4)(b)(ii).

(b) Late general asset account election.

(i) In general. If under section 5.02(6)(d) of Rev. Proc. 2015-56 the qualified taxpayer is required to make a late general asset account election, the late general asset account election change is made using a modified cut-off method under which the unadjusted depreciable basis and the depreciation reserve of the asset as of

the beginning of the year of change are accounted for using the new method of accounting. The late general asset account election change requires the general asset account to include a beginning balance for both the unadjusted depreciable basis and the depreciation reserve. The beginning balance for the unadjusted depreciable basis of each general asset account is equal to the sum of the unadjusted depreciable bases as of the beginning of the year of change for all assets included in that general asset account. The beginning balance of the depreciation reserve of each general asset account is equal to the sum of the greater of the depreciation allowed or allowable as of the beginning of the year of change for all assets included in that general asset account.

(ii) Election statement. The qualified taxpayer (including a qualified small taxpayer) must attach to its Form 3115 a statement providing that the qualified taxpayer agrees to the following additional terms and conditions:

(A) The qualified taxpayer consents to, and agrees to apply, all of the provisions of § 1.168(i)-1 to the assets that are subject to the election specified in section 5.02(6)(d) of Rev. Proc. 2015-56; and

(B) Except as provided in § 1.168(i)-1(c)(1)(iii)(A), (e)(3), (g), or (h), the election made by the qualified taxpayer under section 5.02(6)(d) of Rev. Proc. 2015-56 is irrevocable and will be binding on the qualified taxpayer for computing taxable income for the year of change and for all subsequent taxable years with respect to the assets that are subject to this election.

(c) Cut-off method required for certain changes.

(i) If section 5.02(4)(c) of Rev. Proc. 2015-56 applies to a qualified building, the change to the remodel-refresh safe harbor method of accounting for that qualified

building, and any improvements to that qualified building, is made using a cut-off method and applies only to qualified costs paid or incurred for that qualified building, and any improvements to that qualified building, beginning in the year of change for the change made to the remodel-refresh safe harbor method of accounting.

(ii) If section 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building and the qualified taxpayer does not change its present method of accounting to be in accord with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4), as applicable, on or before the first taxable year that the qualified taxpayer used the remodel-refresh safe harbor and take the entire amount of the § 481(a) adjustment into account in computing the qualified taxpayer's taxable income for that year of change, the change to the remodel-refresh safe harbor method of accounting for that qualified building, and any improvements to that qualified building, is made using a cut-off method and applies only to qualified costs paid or incurred for that qualified building, and any improvements to that qualified building, beginning in the year of change for the change made to comply with § 1.168(i)-1(e)(2)(viii) or § 1.168(i)-8(c)(4). See section 6.38(3)(a) and section 6.40(3)(a).

(5) Section 481(a) adjustment.

(a) In general. A qualified taxpayer changing its method of accounting under this section 10.13 must apply § 481(a) and take into account any applicable § 481(a) adjustment in the manner provided in section 7.03 of Rev. Proc. 2015-13. However, a § 481(a) adjustment is neither required nor permitted for the late general asset account election under section 5.02(6)(d) of Rev. Proc. 2015-56 or, if section 5.02(4)(c) or 5.02(5)(b) of Rev. Proc. 2015-56 applies to a qualified building, and an improvement to

a qualified building (and, in the case of section 5.02(5)(b), the qualified taxpayer did not make the required change on or before the first taxable year that the qualified taxpayer uses the remodel-refresh safe harbor), for the change to the remodel-refresh safe harbor method of accounting for that qualified building and an improvement to that qualified building.

(b) Repair allowance property. A qualified taxpayer changing to the method of accounting provided under this section 10.13 must not include in the § 481(a) adjustment any amount attributable to property for which the qualified taxpayer elected to apply the repair allowance under § 1.167(a)-11(d)(2) for any taxable year in which the repair allowance election was made.

(c) Statistical sampling. A qualified taxpayer changing its method of accounting under this section 10.13 may use statistical sampling in determining the § 481(a) adjustment only by following the sampling procedures provided in Rev. Proc. 2011-42, 2011-37 I.R.B. 318.

(6) Concurrent automatic change.

(a) A qualified taxpayer making this change for more than one asset for the same year of change should file a single Form 3115 for all such assets. The single Form 3115 must provide a single net § 481(a) adjustment for all such changes.

(b) A qualified taxpayer making this change, a change under section 6.38(3)(a) or 6.43, and any change listed in section 6.37(4)(b) or section 6.40 for the same year of change should file a single Form 3115 for all such changes and must enter the designated automatic accounting method change numbers for the changes on the appropriate line on the Form 3115. See section 6.03(1)(b) of Rev. Proc. 2015-13 for

information on making concurrent changes.

(7) Designated automatic accounting method change number. The designated automatic accounting method change number for a change to the method of accounting under this section 10.13 is “222.”

(8) Contact information. For further information regarding a change under this section, contact Elizabeth R. Binder at (202) 317-7003 (not a toll-free call).

SECTION 8. EFFECT ON OTHER DOCUMENTS

Rev. Proc. 2015-14 is modified to include the accounting method changes provided in section 7.02 in sections 6 and 10 of Rev. Proc. 2015-14, as applicable.

SECTION 9. EFFECTIVE DATE

This revenue procedure is effective for taxable years beginning on or after January 1, 2014.

SECTION 10. DRAFTING INFORMATION

The principal author of this revenue procedure is Elizabeth R. Binder of the Office of Associate Chief Counsel (Income Tax & Accounting). For further information regarding this revenue procedure, contact Ms. Binder at (202) 317-7003 (not a toll-free call).

Appendix A

Documentation Standards

In addition to the information required to be included in the Form 3115, qualified taxpayers using the remodel-refresh safe harbor provided by this revenue procedure must document this accounting method with the appropriate books and records, including work papers that identify:

- 1) The total cost of book fixed asset additions placed in service, within the meaning of § 1.46-3(d)(1)(ii), for the taxable year, reconciled to total capital expenditures reported in the qualified taxpayer's Applicable Financial Statement (as defined in § 4.08).
- 2) The total cost of tax fixed asset additions placed in service, within the meaning of § 1.46-3(d)(1)(ii), for the taxable year, after all tax reclassifications for tax depreciation attributes and before application of this revenue procedure to remodel-refresh costs, reconciled to the total cost of book fixed asset additions.
 - The tax depreciation attribute identification should show the adjustments made to determine the adjusted basis of the tax fixed assets under § 1011. In other words, any adjustments required under § 1016 to remodel-refresh costs or excluded remodel-refresh costs for all qualified buildings prior to the following exclusions:
 - (1) Basis adjustments attributable to changes in the qualified taxpayer's definition of units of property made through a prior change in accounting implemented before changing to the method provided in this revenue procedure;
 - (2) Adjustments made as described in § 1016(a)(2) or § 1016(a)(3); and
 - (3) Adjustments made that require tax basis to be reduced before depreciation is computed (for example §§ 179 and 179D; §§ 44 and 50(c)).

The summary work papers should identify the tax fixed asset additions subtotaled for each excluded remodel-refresh cost described in section 4.06. For these purposes, the

timing rules provided in section 4.04 apply to determine when the fixed asset additions, including excluded remodel-refresh costs, are taken into account.

The summary work papers should describe the methods and procedures used by the qualified taxpayer to identify the tax fixed assets for the excluded remodel-refresh costs. If excluded remodel-refresh costs are identified by fields within the fixed asset system, the description should list the applicable fixed asset system fields, including, for example, the following:

- Book classification/life;
- Tax classification/life;
- Project identifier;
- Store or restaurant unit identifier;
- Date the store or restaurant is initially placed in service (i.e., new versus existing);
- Date the remodel-refresh project assets are placed in service;
- Capital expenditure request identifier; and,
- Building-type identifier (e.g., retail versus non-retail building; restaurant versus non-restaurant building).

The summary work papers should identify source document references for any applicable documentation outside the fixed asset system needed to account for excluded remodel-refresh costs when the fixed asset system does not include pertinent identifiers. For example, reference to source documentation outside the fixed asset system is necessary if the fixed asset system does not identify whether an asset is related to a restoration caused by damage to a qualified building for which the qualified taxpayer is required to take a basis adjustment as a result of a casualty loss under § 165.

Appendix B

Example Schedule of Qualified Costs Subject to Remodel-Refresh Safe Harbor

Change Between Beginning of Year and End of Year Applicable Financial Statement ("AFS") Fixed Assets

Beginning of year balance of consolidated U.S. fixed assets*	\$	XXXXXX	
Additions during year:		XXXXX	(1)
Less sales / disposals:		(XXX)	
Other transfers to / from account:		(X)	
End of year balance of consolidated U.S. fixed assets:*	\$	XXXXXX	

AFS Additions Converted to Capitalized Cost Additions for Tax:

(1) Additions during year per AFS:	\$	XXXXX	
Less reductions for all tax reclassifications for tax depreciation attributes:		(XX)	
Capitalized cost additions for tax:	\$	XXXX	(2)

Qualified Costs Subject to Safe Harbor:

(2) Capitalized cost additions for tax:	\$	XXXX	
Less the following excluded remodel-refresh costs for:			
Section 1245 property (section 4.06(1))	\$	XX	
Intangibles per Reg. § 1.263(a)-4(b) (section 4.06(2))		XX	
Land or depreciable land improvements (section 4.06(3))		XX	
Initial acquisition, production, or lease of qualified building (section 4.06(4))		XX	
The initial build-out of a leased qualified building, or a portion thereof, for a new lessee (section 4.06(5))		XX	
Activities performed to rebrand, refresh, remodel, repair, or maintain a qualified building (section 4.06(6))		XX	
Activities performed to ameliorate an existing material condition or defect (section 4.06(7))		XX	
Material additions to a qualified building (section 4.06(8))		XX	
Restoration costs to a damaged qualified building subject to § 165 (section 4.06(9))		XX	
Costs to adapt more than 20% of a qualified building to a new or different use (section 4.06(10))		XX	
Costs incurred during temporary store or restaurant closings of more than 21 days (section 4.06(11))		XX	
Cost of any property for which the qualified taxpayer has claimed a deduction under § 179, § 179D, or § 190 (section 4.06(12))		XX	
Total excluded remodel-refresh costs included in AFS additions:	\$	(XX)	

Qualified Costs Subject to Safe Harbor:

\$ XXX

*Amount should reconcile to applicable BOY or EOY AFS balance sheet fixed assets account.