

IRS News Release

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IRS and Treasury Department Publish Temporary Regulations on Treatment of Tangible Property

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WASHINGTON—The Internal Revenue Service and Treasury Department today published in the Federal Register temporary regulations that provide guidance to taxpayers on the treatment of amounts paid to acquire, produce or improve tangible property and regarding the accounting for, and dispositions of, property subject to depreciation. These regulations provide objective standards and bright-line rules intended to simplify compliance with the capitalization provisions contained in section 263(a) of the Internal Revenue Code.

The temporary regulations generally are effective for expenditures made on or after Jan. 1, 2012, and therefore these regulations do not affect taxpayers' 2011 tax returns. The IRS and Treasury Department anticipate publishing additional guidance that will advise taxpayers regarding how to obtain automatic consent to change to a method of accounting provided in the temporary regulations for taxable years beginning on or after Jan. 1, 2012. These automatic consent requests may be filed beginning with taxpayers' 2012 tax returns. Taxpayers may not request a change to a method described in the temporary regulations on their 2011 tax returns.

The temporary regulations also were released as a notice of proposed rulemaking, offering taxpayers the opportunity to comment on the rules. Written comments are requested by March 26, 2012, and a public hearing on the regulations is scheduled for April 4, 2012.