

**Internal Revenue Service**

Department of the Treasury

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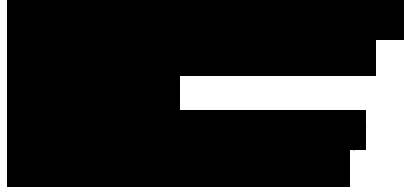
(202)622-3110

Refer Reply To:

CC:PSI:6-GENIN-112053-02

Date:

April 15, 2002



Re: Request for General Information

Dear [REDACTED]:

I have been asked to respond to your letter of November 3, 2001, in which you recommend the following two means of simplification of the Internal Revenue Code: (1) replacing section 1245(a)(3)(B) and (2) reviewing the distinction between repairs and improvements.

The change you recommend to section 1245(a)(3)(B) is a change in the law. Because the Office of the Tax Legislative Counsel in Treasury makes the recommendations for tax law changes, we have forwarded a copy of your letter to that office.

As you point out, the line between repairs and improvement is difficult to draw in many cases. In Announcement 2002-9, 2002-7 I. R. B. 536, an advance notice of proposed rulemaking (REG-125838-01), the Internal Revenue Service describes rules it expects to propose to provide a framework for capitalization issues for intangibles. This notice stated that the Service and Treasury are also considering guidance to address the treatment of costs to repair or improve tangible property.

Annually, the Service and Treasury include on the Guidance Priority List items on which Treasury and the Service intend to publish guidance in the coming year (see the attached copy of Notice 2002-22 requesting suggestions for publication from July 1, 2002 through June 30, 2003). You may wish to recommend inclusion of a specific aspect of the repair or improvement question on this list, or you may wish to urge that the Service and Treasury expedite more general guidance on the treatment of costs to repair or improve tangible property by including this guidance on the list.

I hope this letter is helpful. If you would like to discuss this matter further,  
contact me or at (202) 622-3110.

Sincerely yours,  
Charles B. Ramsey  
Chief, Branch 6  
Office of Associate Chief Counsel  
(Passthroughs and Special Industries)