



DEPARTMENT OF THE TREASURY  
INTERNAL REVENUE SERVICE  
WASHINGTON, D.C. 20224

OFFICE OF THE CHIEF COUNSEL

August 7, 2018

Number: **2018-0026**  
Release Date: 9/28/2018

GENIN-122003-18

UIL: 1012.01-00

Dear \_\_\_\_\_ :

Thank you for your correspondence concerning a proposal to make improvements to an office building owned by a partnership of which you are a partner. You expressed concern that, because the partnership's adjusted basis in the building exceeds the anticipated qualified rehabilitation expenditures, the intended improvements will not qualify for the rehabilitation credit under § 47 of the Internal Revenue Code.

You spoke with \_\_\_\_\_ of my office, as well as \_\_\_\_\_ and \_\_\_\_\_ of the Office of Associate Chief Counsel (Passthroughs and Special Industries) about the rehabilitation credit and the tax issues that would arise upon a sale of the building prior to the construction of the improvements. Thank you for writing to us. Please call me or \_\_\_\_\_ at \_\_\_\_\_ if you have other questions about these issues.

Sincerely,

Donna J. Welsh  
Acting Branch Chief  
Associate Chief Counsel  
Income Tax and Accounting