



## HOW TO CLASSIFY A PARTIAL ROOF REPLACEMENT IN A COST SEGREGATION STUDY

**What may seem like an easy question, could take a lot of research to get the right answer. A client recently inquired about the depreciation on a partially replaced roof. The answer looks simple, but there were many tax laws to consider. Leverage our expertise in cost segregation, so you can focus on your clients. Call us today: 877.410.5040**

The entire roof area of the building will need to be surveyed to determine the total square footage, and then you will need to determine the ratio of the replaced plaza deck to that total square footage.

If you find that 1/3 or less of the total square footage of the entire roof area has been affected by the replacement, then you should be able to expense the cost of the replacement decking/roofing - as well as the related demolition of the old deck system. But do not take a partial disposition for the demolished decking.

If you find that more than 1/3 of the total square footage of the entire roof area has been replaced, then capitalize the costs of the replacement decking, and take a partial disposition for the demolished decking. Then expense the costs of the demolition of the old decking per 1.263(a)-3(g)(2)(i). You would capitalize the replacement decking/roofing as a 39-yr asset subject to straight-line depreciation and the mid-month convention.

**What is your cost segregation question?  
Ask us today: 877.410.5040**



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Launched in 2001, Scarpello Consulting provides cost segregation services that allow clients to maximize their depreciation deductions while minimizing audit risk. The firm works with Fortune 500 companies and some of the largest national CPA firms through their multiple offices in Omaha, NE, Overland Park, KS, Sarasota, FL, and Denver, CO.