

Assets eligible for reclassification to shorter depreciation periods.

The assets generally are recoverable over a 5- or 7-year MACRS period, depending on the type of industry, unless otherwise indicated.

- *Canopies and awnings.* Readily removable equipment or apparatus used for providing shade or cover. Includes canopies that are largely decorative, but not canopies that are an integral part of a building's structural shell.
- *Decorative millwork.* This is decorative finished carpentry, examples of which include detailed crown moldings, lattice work placed over finished walls or ceilings, and cabinets. Decorative millwork serves to enhance the overall décor of the business (e.g., restaurant, casino) and is not related to the operation of the building. (Cabinets and counters in a restroom are excluded from this category.)
- *Doors.* Special lightweight, double action doors installed to prevent accidents in a heavily trafficked area (e.g., "Eliaison" type door). For example, flexible doors, clear curtains, or strip curtains used between stock areas and selling areas.
- *Electrical outlets.* Only those outlets specifically associated with particular items of machinery and equipment (as opposed to operation of the building as a whole).
- *Electrical connections.* Special electrical connections which are necessary to and used directly with a specific item of machinery or equipment or connections between specific items of individual machinery or equipment, such as dedicated electrical outlets, wiring, conduit, and circuit breakers by which machinery and equipment is connected to the electrical distribution system.
- *Facades in interior of building.* Facades, such as a false storefronts, made primarily of synthetic materials (foam, fiberglass, cast stone, or glass reinforced concrete) that are not permanently attached and not intended to be permanent. This category would include false balconies, as well as finishes on interior columns that are not permanently attached and not intended to be permanent.
- *Fire protection equipment.* This includes special fire detection or suppression systems directly associated with a piece of equipment. For example, a fire extinguisher designed and used for protection against a particular hazard created by the business activity (e.g., a restaurant).
- *Floor coverings.* Only if not permanently attached and not intended to be permanent, such as vinyl composition tile installed with strippable adhesive, sheet vinyl, and carpeting.
- *Foundations or footings, concrete.* Foundations or footings for signs, light poles, canopies and other land improvements have a 15-year MACRS recovery period.
- *Heating, ventilation, and air conditioning (HVAC).* The HVAC unit must meet the sole justification test (i.e., machinery the sole justification for the installation of which is that it is required to meet temperature or humidity requirements that are essential for the operation of other machinery (such as lifts in a car dealership) or the processing of materials or foodstuffs (in a kitchen setting)). A HVAC unit may meet this test even though it incidentally provides for the

comfort of employees, or serves, to an insubstantial degree, areas where such temperature or humidity requirements are not essential.

- *Kiosks.* These are small, often prefabricated, retail outlets that aren't permanent.
- *Landscaping & shrubbery.* This is landscaping (including irrigation systems) that will be replaced contemporaneously with a related depreciable asset or that will be destroyed when the related depreciable asset is replaced. Examples: depreciable landscaping, shrubbery, trees, plant foliage, or sod placed around a parking lot. Such assets have a 15-year MACRS recovery period.
- *Light fixtures, interior.* These are light fixtures that are decorative in nature and not necessary for the operation of the building. In other words, if all the decorative lighting were turned off, the other sources of lighting would provide sufficient light for the building. These fixtures are 5- or 7-year MACRS property depending on the type of industry.
- *Lighting, exterior.* Lighting that highlights only the landscaping or building exterior (but not parking areas or walkways), as well as plant grow lights, and that does not relate to the operation or maintenance of the building.
- *Lighting, exterior, pole mounted.* Outdoor lighting systems that are pole mounted or freestanding and serve to illuminate sidewalks, parking or recreation areas have a 15-year MACRS recovery period.
- *Music and public address (PA) system.* Equipment and apparatus used to provide amplified music or sound; also includes wiring. Does not include a PA system that is an integral part of a fire protection system.
- *Parking lots.* Grade level surface parking areas built of asphalt, brick, concrete, stone or similar material have a 15-year MACRS recovery period. This category includes bumper blocks, curb cuts, curb work, striping, landscape islands, perimeter fences, and sidewalks.

By contrast, in a Coordinated Issue Paper, IRS has said that open-air parking structures providing multi-level parking accessed by a ramp system are structures for Code Sec. 168 purposes and therefore are depreciable over 39 years. (See Weekly Alert 5 08/06/2009) IRS's stance on stand-alone open-air parking structures is to be contrasted with its more favorable view of parking towers consisting of an auto carousel mechanism and supporting tower structure. PLR 9751010 says that such towers are tangible personal property for purposes of the Code Sec. 168 depreciation rules.

- *Poles and pylons.* Light poles for parking areas and poles used in concrete footings or bolt-mounted for signage have a 15-year MACRS recovery period.
- *Plumbing and similar hookups.* Water, gas, or refrigerant hook-ups, if directly connected to appliances or equipment needed for a particular type of business (e.g., restaurant or hair salon).
- *Security equipment.* Includes electronic article surveillance systems including surveillance cameras, recorders, monitors and related equipment, that have as a primary purpose the minimization of theft in retail areas.
- *Signs.* Interior and exterior signs used for display or theme identity, and any signage not pertinent to the operation of the building. Does not include exit signs.

- *Site grading.* All of the following assets have a 15-year MACRS recovery period:

... Clearing, grading, excavating and removal costs directly associated with the construction of sidewalks, parking areas, roadways and other depreciable land improvements.

... Site work, including site drainage, sewers, roads, sidewalks, paving, curbing, general site improvements, site fencing and enclosures, and other site improvements not directly related to the building.

... Patio stonework embedded in the ground and applied to exterior half walls that are not an integral part of the building's structural shell.

- *Walls, if movable.* These are interior (partition) walls built so that they can be (1) readily removed and remain in substantially the same condition after removal as before, or (2) moved and reused, stored or sold in their entirety.
- *Wall coverings.* Includes strippable wall paper and vinyl that causes no damage to the underlying wall or wall surface.
- *Window accessories.* Window accessories such as drapes, curtains, louvers, post-construction tinting that is readily removable, and interior decorative theme decor.