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Best wishes to you and your family for a wonderful holiday season and very happy and prosperous New Year!

New Regulation for Improvements on Commercial and Rental Properties

The IRS has finally issued the final version of its monumentally long and complex regulations explaining how to deduct improvements and repairs to business property, including commercial buildings and residential rentals. The new regulation begins January 1, 2014 and affects small business owners of commercial properties as well as owners of rental properties. The new regulation (IRS Reg. 1.263(a)-3h) allows a qualifying taxpayer to elect to not apply the IRS's complex new improvement regs to an eligible building

if the total amount paid during the year for repairs, maintenance, improvements and similar expenses does not exceed \$10,000 or two percent of the adjusted basis of the building (usually it's cost). By making this election, the taxpayer may currently deduct such expenses instead of depreciating them over many years. However, no amount is deductible under the safe harbor if the applicable annual limit is exceeded. The limit and safe harbor are applied on a building-by-building basis. However, this safe harbor may only be used for

buildings, including condos and coops, with an adjusted basis of less than \$1 million. If the taxpayer is leasing, the unadjusted basis of the leasehold interest is equal to the total amount of (undiscounted) rent paid or expected to be paid over the entire lease term including renewals. A taxpayer must also have annual gross tax receipts of no more than \$10 million during the 3 preceding tax years. Gross receipts include income from sales (unreduced by cost of goods), services and investments.

Source: InMan.com & Asset Preservation: www.APIExchange.com

Featured Property: Just Leased!



18066 Ventura Blvd in Encino

- Free-Standing Automotive site on busy Ventura Blvd in Encino
- Leased to National Franchise Tenant
- Excellent Freeway Access
- Approx 4,200 SF Building on over 14K SF of land
- Represented Lessee

Please feel free to contact me if you are interested in leasing or purchasing a property or if you would like a market analysis on your property.



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Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.

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