

Communicating and Documenting Options to TPR Clients

CAMICO issued an updated [Alert](#) (located on the Members-Only Site under Knowledge Tree, Alert Documents, 2015, Tangible Property Regs), to our policyholders in response to the IRS February 13, 2015 release of Rev. Proc. 2015-20 offering tangible property regulations (TPR) relief to small businesses and rental real estate owners. Rev. Proc. 2015-20 provides a simplified procedure for small businesses to comply with the final tangible property regulations, although with some trade-offs.

Prior to the revenue procedure, many small businesses were required to file Form 3115 and compute §481(a) adjustments in order to prevent amounts of income or expense from being duplicated or omitted. The new implementation guidance offers small businesses a choice between adopting the tangible property regulations prospectively (without filing Form 3115) or retroactively (by filing Form 3115). Small businesses and rental real estate owners that opt to use the simplified procedures would be relieved of some of the administrative burdens and costs associated with implementing the tangible property regulations. However, as discussed in CAMICO's previous alert, taxpayers may find it beneficial to file Form 3115 and compute the §481(a) adjustment, as doing so provides some audit protection regarding prior year capitalization methodology and may provide some economic benefit.

We are receiving calls from policyholders requesting guidance regarding how to communicate these options to their small business and rental real estate clients, and how to document clients' informed consent. Ultimately, from a risk management perspective, choosing whether to use the simplified procedures should be a decision made by your *informed* client. Also, clients should represent whether their businesses or rental real estate properties meet the asset or gross receipts tests required to use the simplified procedure. CAMICO has created a sample [TPR Client Notification Letter for Small Business Clients](#) to assist you with informing clients of their TPR options and documenting their choices. This letter is available on the **CAMICO Members-Only Site under Knowledge Tree, Alert Documents, 2015, Tangible Property Regs.**

As always, please contact CAMICO at 1.800.652.1772 or lp@camico.com with any questions.