

# **ST. LOUIS POST-DISPATCH**

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## **Ask the Expert**

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**Title:** Member and co-leader of the Tax & Accounting Services Group

**Company:** Brown Smith Wallace

**Q:** I'm not sure if I should expand my business's existing office, which I own, or construct on a new site. What are the tax considerations that can help me make a decision?

**A:** A major tax issue involves construction costs versus leasehold improvements. Construction costs, including the acquisition cost of the property and fees such as developer and architect fees, and building improvements are written off over 39 years. Leasehold improvements are similar to construction costs but are incurred as a tenant or landlord and can be written off over a 15-year period with certain restrictions.

Carpeting, furniture, decorative lighting and other tangible personal property, subject to certain limits, can be written off in the first year. Personal property items are typically incurred as construction costs but can be written off over a shorter period. The 2009 limit for what office personal property can be immediately expensed is currently \$133,000, assuming you don't spend more than \$503,000 on tangible personal property items. It is expected that this \$133,000 expense amount for 2009 will increase to \$250,000, pending approval of the economic stimulus package in Congress.

Bonus depreciation that allows the deduction of 50 percent of first year qualified costs for land improvements and personal property not normally eligible for first year write off would also be extended under the stimulus package. Also, you should write off any replaced or abandoned improvements and furniture for an immediate tax benefit. Federal and state laws provide tax credits if certain buildings are improved, whether leased or owned.