

1. Purpose

This revenue procedure provides a safe harbor for certain structural modifications to a building that will not be treated as a demolition for purposes of section 280B of the Internal Revenue Code.

2. Background

Section 280B provides that in the case of the demolition of any structure, no deduction otherwise allowed under Chapter 1 shall be allowed to the owner or lessee of the structure for any amount expended for the demolition, or any loss sustained on account of the demolition. The statute provides that these amounts shall be treated as properly chargeable to capital account with respect to the land on which the demolished structure was located.

3. Scope and Objective

This revenue procedure provides guidance concerning the application of section 280B to certain structural modifications to buildings. Modifications satisfying the criteria outlined below will not be treated as a demolition for purposes of section 280B. Accordingly, amounts expended on, and losses sustained on account of, modifications satisfying the criteria below will not be treated under section 280B as properly chargeable to capital account with respect to the land on which the building is located. These costs and losses will, however, be subject to appropriate treatment as otherwise prescribed in the Code; see, for example, section 162, section 168, section 263, and section 263A.

4. Application

01. General Rule. A modification of a building, other than a certified historic structure as defined in section 47(c)(3), will not be treated as a demolition for purposes of section 280B if (1) 75 percent or more of the existing external walls of the building are retained in place as internal or external walls, and (2) 75 percent or more of the existing internal structural framework of the building is retained in place.

02. Certified Historic Structures. A modification of a certified historic structure will not be treated as a demolition for purposes of section 280B if (1) the modification is part of a certified rehabilitation (as defined in section 47(c)(2)(C)) of the structure, (2) 75 percent or more of the existing external walls of the building are retained in place as internal or external walls, and (3) 75 percent or more of the existing internal structural framework of the building is retained in place.

5. Effective Date

This revenue procedure is effective for modifications commencing after June 5, 1995, but, at the option of the taxpayer, the revenue procedure may be treated as effective for any open taxable years. However, in no event shall the revenue procedure apply to any modification (other than of a certified historic structure) commencing before July 19, 1984.

Drafting Information

The principal author of this revenue procedure is Bernard Harvey of the Office of Assistant Chief Counsel (Passthroughs and Special Industries). For further information regarding this revenue procedure contact Mr. Harvey on (202) 622-3110 (not a toll-free call).