



Certified Public Accountants
& Business Advisors

*A Firm That Cares About Its Clients
Large Enough To Know, Small Enough To Care*

Safe Harbor for Deducting Remodeling Costs Incurred by Retail and Restaurant Businesses

Late last year, the IRS provided a safe harbor that allows a retail or restaurant business to deduct 75 percent of the qualified costs incurred in performing a remodeling project on a qualified building. The business must capitalize the remaining 25 percent of the costs and recover them through depreciation. Previously, the deductibility of such costs were controversial and the subject of scrutiny in an audit. There are several conditions on using this safe harbor so, if you think you have costs that may qualify for this safe harbor, we should review the requirements that must be met to deduct such costs.