

Work Sample – Denise C. Allen

The following document was written for an online real estate course. I reviewed provided materials and wrote instructional material and review questions according to the provided format. This document is an excerpt from one course.

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COST RECOVERY FOR OTHER TANGIBLE PROPERTY

Objectives

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After completing this lesson, you will be able to:

- define the category of “other tangible property”
- explain the depreciation rates used for other tangible property
- describe how the basis of value is adjusted when other tangible property is included

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COST RECOVERY FOR OTHER TANGIBLE PROPERTY

Overview

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Not all property is classified as real for tax purposes and is defined as “other tangible property.”

This alternate classification disqualifies certain property from the 27.5-year or 39-year cost-recovery periods and provides shorter term depreciation periods.

In this lesson, we'll show you how depreciation for other tangible property can impact the profitability of a real estate investment.

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COST RECOVERY FOR OTHER TANGIBLE PROPERTY

Other tangible property

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Other tangible property is defined as real property that doesn't fall into the residential 27.5 or nonresidential 39-year cost recovery classes. Cost recovery time periods define a standard length of life for property.

Examples of other tangible property include:

- sidewalks and parking lots
- roads
- fences and landscaping

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###.##,&&QuestionPage

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- When property is classified as "other tangible property," this classification provides

_____.

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###.##,&&Answers

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shorter term depreciation periods

39-year cost recovery periods

longer term depreciation periods

27.5 year cost recovery periods

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###.##,&&Explanations

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The other tangible property classification provides shorter term depreciation periods. The classification disqualifies certain property from the 27.5-year or 39-year depreciation periods.

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The other tangible property classification provides shorter term depreciation periods.

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The other tangible property classification provides shorter term depreciation periods. The classification disqualifies certain property from the 27.5-year or 39-year depreciation periods.

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###.##,&&QuestionPage

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- What defines a standard length of life for property?

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###.##,&&Answers

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cost recovery time periods

state law

residential or nonresidential status

property type

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###.##,&&Explanations

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Cost recovery time periods define a standard length of life for property. State law may consider property type differently than tax law.

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Cost recovery time periods define a standard length of life for property. Other tangible property is real property that doesn't fall into the residential 27.5-year or nonresidential 39-year cost recovery classes.

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Cost recovery time periods define a standard length of life for property. Other tangible property is real property that doesn't fall into the residential 27.5-year or nonresidential 39-year cost recovery classes.

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###.##,&&QuestionPage

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- Some examples of tangible property include _____.

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###.##,&&Answers

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sidewalks, roads, and landscaping

buildings, fences, and parking lots

private residences and landscaping

sidewalks, parking lots, and apartment buildings

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###.##,&&Explanations

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Examples of other tangible property include sidewalks, roads, and landscaping. Buildings are not included in the examples.

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Examples of other tangible property include sidewalks, roads, and landscaping. Private residences are not included in the examples.

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Examples of other tangible property include sidewalks, roads, and landscaping. Apartment buildings are not included in the examples.

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Even though state law may consider sidewalks and landscaping real property, tax law classifies this type of property differently.

When calculating capital gain, improvements to other tangible property use shorter cost recovery periods and can use accelerated depreciation rates.

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A note of caution. The information in this lesson provides you with general knowledge of how other tangible property is depreciated.

Congress changes depreciation rules frequently. The depreciation rule you use is determined by the property purchase date. So, you can end up tracking depreciation of assets using several sets of rules.

For estimates of a property's depreciation, refer your client to a tax professional.