

REAL ESTATE



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Q My apartment building is 20 years old and in need of an upgrade, what happens if I just demolish it and start over?

A You should be careful about planning a complete demolition of a commercial building. The remaining undepreciated basis of the existing structure and the cost of the demo must be capitalized to land costs per IRS regulations. This is not a good result for tax planning purposes as these amounts do not get depreciated going forward. A better tax plan might be to consider a major renovation in which some part of the original building is retained. How much of the existing structure must be retained to avoid the land cost result is a matter of some judgment so you should consult with an attorney or accountant that is experienced in this area if you decide to do something like this.