



Advanced Repairs, UoP Concept

To determine if an expense is a repair (deductible immediately) or an improvement (capitalized), you must compare the work against the entire "Unit of Property" (UoP). For buildings, the IRS defines the UoP as the Building Structure itself or one of 9 separate Building Systems, including HVAC, plumbing, electrical, security and the roof (among others).

Key Rules

Buildings Are Composed Of Systems

A building isn't just one asset; it is a collection of massive systems. Because systems like "Plumbing" or "HVAC" are so large, repairs that seem expensive are often just small fractions of the whole unit.

High Cost Does Not Mean Improvement

Don't let the price tag trip you up. A \$5,000 expenditure to fix a specific part (like a condenser) is likely a fully deductible repair if it only restores a small piece of a larger system. The nature of the work matters more than the dollar amount.

The Denominator Drives The Decision

The math comes down to scope. Divide the work done by the size of the entire system. Replacing 10% of a roof is a repair (Small Numerator / Big Denominator). Replacing 100% is a restoration (Big Numerator / Small Denominator).

Top FAQs

Is replacing the front door a repair or an improvement?

Likely a Repair. The "Unit of Property" is the entire Building Structure. A single door is a tiny component of that massive system (versus cutting in a brand new opening which could be adaptation).

I am replacing ALL the windows. Can I deduct it?

No, this is an Improvement. If you only replace a few damaged windows (e.g., 5 out of 20), the "Unit of Property" logic works in your favor. You haven't replaced the major component, just a small fraction. That would be a repair.

I am ripping out carpet and installing tile throughout the house.

This is an Improvement. Replacing flooring "throughout" restores a substantial part of the building's interior. If you only replaced flooring in one bedroom, it would likely be a repair.

The difference between a deduction and a depreciation schedule often comes down to how you define the Unit of Property. By viewing repairs in the context of the *whole system* (rather than just the invoice amount), you can accurately and aggressively defend large deductions.



Rental Expert Pod: Jason, Sara, Stuart, Brett and Ashita

support@wcginc.com
www.wcginc.com

2393 Flying Horse Club Drive
Colorado Springs • CO • 80921

tel 719.387.9800
txt 719.345.2100