



KBKG TAX INSIGHT: FORM 3115 TEMPLATE FOR QUALIFIED IMPROVEMENT PROPERTY (QIP) CHANGES

Qualified Improvement Property is defined as any improvement to an interior portion of a building that is nonresidential real property.

On April 17, 2020, the IRS released [Rev. Proc. 2020-25](#) outlining how to implement the **Qualified Improvement Property (QIP)** changes that were part of the CARES Act of 2020 and modify certain elections under Section 168 using Form 3115, Change in Accounting Method. KBKG authored a comprehensive overview of the new procedures that can be found [here](#).

KBKG has put together a sample Form 3115 template with attachments for these new changes using Designated Change Numbers (DCN) 244 and 245. This template is free and can be accessed in our [Resource Library](#).

QIP is defined as any improvement made by the taxpayer to an **interior portion** of a building that is **nonresidential real property**

KBKG SERVICES

- Research & Development Tax Credit
- Cost Segregation
- Repair vs. Capitalization Review
- Fixed Asset Review
- 45L Credits for Energy Efficient Residential Developments
- 179D Incentive for Energy Efficient Commercial Buildings
- IC-DISC
- Transfer Pricing

as long as the improvement is placed into service after the building was first placed into service by any taxpayer (IRC §168(k)(3)). Additionally, QIP specifically excludes expenditures for (1) the enlargement of a building, (2) elevators or escalators, or (3) the internal structural framework of a building.

KBKG INSIGHT

Consider a limited scope cost segregation to separate QIP from non-QIP costs when improvements are not solely related to tenant interior spaces and exceed \$1 million. Cost segregation also makes sense for states that do not conform to federal bonus depreciation.

[Contact a KBKG specialist](#) to discuss options on how to maximize depreciation deductions and limit your exposure related to QIP property. Our team is available to answer any questions you may have.

QUALIFIED IMPROVEMENT PROPERTY (QIP) IRS FORM 3115 TEMPLATE PREVIEW

3115
 (Rev. December 2018)
 Department of the Treasury
 Internal Revenue Service

Application for Change in Accounting Method
 ▶ Go to www.irs.gov/Form3115 for instructions and the latest information.

OMB No. 1545-0070

Name of filer (name of parent corporation if a consolidated group) (see instructions) Identification number (see instructions)

Principal business activity code number (see instructions)

KBKG Sample 3115
 Number, street, and room or suite no. if a P.O. box, see the instructions. Tax year of change begins (MM/DD/YYYY)
 City or town, state, and ZIP code Tax year of change ends (MM/DD/YYYY)
 Name of contact person (see instructions)

Name of applicant(s) (if different than filer) and identification number(s) (see instructions) Contact person's telephone number

If the applicant is a member of a consolidated group, check this box **Form 2848**, Power of Attorney and Declaration of Representative, is attached (see instructions for when Form 2848 is required), check this box

Check the box to indicate the type of applicant.

Individual Cooperative (Sec. 1381)
 Corporation Partnership
 Controlled foreign corporation (Sec. 957) S corporation Depreciation or Amortization
 10/50 corporation (Sec. 904(d)(2)(E)) Insurance co. (Sec. 816(a)) Financial Products and/or Financial Activities of Financial Institutions
 Qualified personal service corporation (Sec. 448(d)(2)) Insurance co. (Sec. 831) Other (specify) ▶
 Exempt organization. Enter Code section ▶

Check the appropriate box to indicate the type of accounting method change being requested.
 See instructions.

Depreciation or Amortization
 Financial Products and/or Financial Activities of Financial Institutions
 Other (specify) ▶

Caution: To be eligible for approval of the requested change in method of accounting, the taxpayer must provide all information that is relevant to the taxpayer or to the taxpayer's requested change in method of accounting. This includes (1) all relevant information requested on this Form 3115 (including its instructions), and (2) any other relevant information, even if not specifically requested on Form 3115. The taxpayer must attach all applicable statements requested throughout this form.

Part I Information for Automatic Change Request

1 Enter the applicable designated automatic accounting method change number ("DCN") for the requested automatic change. Enter only one DCN, except as provided for in guidance published by the IRS. If the requested change has no DCN, check "Other," and provide both a description of the change and a citation of the IRS guidance providing the automatic change. See instructions.

a (1) DCN: 244 (2) DCN: 245 (3) DCN: (4) DCN: (5) DCN: (6) DCN: (7) DCN: (8) DCN: (9) DCN: (10) DCN: (11) DCN: (12) DCN:

b Other Description ▶

2 Do any of the eligibility rules restrict the applicant from filing the requested change using the automatic change procedures (see instructions)? If "Yes," attach an explanation.

3 Has the filer provided all the information and statements required (a) on this form and (b) by the List of Automatic Changes under which the applicant is requesting a change? See instructions.

Note: Complete Part II and Part IV of this form, and Schedules A through E, if applicable.

Part II Information for All Requests

4 During the tax year of change, did or will the applicant (a) cease to engage in the trade or business to which the requested change relates, or (b) terminate its existence? See instructions.

5 Is the applicant requesting to change to the principal method in the tax year of change under Regulations section 1.381(c)(4)-(d)(1) or 1.381(c)(5)-1(d)(1)?

If "No," go to line 6a.

If "Yes," the applicant cannot file a Form 3115 for this change. See instructions.

Sign Here
 Under penalties of perjury, I declare that I have examined this application, including accompanying schedules and statements, and to the best of my knowledge and belief, the application contains all the relevant facts relating to the application, and it is true, correct, and complete. Declaration of preparer (other than applicant) is based on all information of which preparer has any knowledge.

Signature of filer (and spouse, if joint return) Date Name and title (print or type)

Preparer (other than filer/applicant) Print/type preparer's name Preparer's signature Date

Filer's name ▶

For Privacy Act and Paperwork Reduction Act Notice, see the instructions. Cat. No. 19280E Form 3115 (Rev. 12-2018)

Filer: **ENTITY NAME**
 EIN/SSN: **XX-XXXXXX**
 Attachment to Form 3115
 Automatic Method **8244 & 8245**
 Tax Year Ended **December 31, 2018**

Page 1

Name of Applicant
Entity Name (hereinafter referred to as the "Applicant") is requesting to make this change in accounting method for the tax year ended **December 31, 2018**.

Applicant	EIN	Principal Business Activity Code
LEGAL ENTITY NAME	XXXXXXXX	XXXXX

Form 3115, Page 1 Type of Accounting Method Change and Miscellaneous Information
 The Applicant is requesting automatic change in accounting method designated change number **244** and designated change number **245** for the current taxable period ending **December 31, 2018**, as described below:

- Method No. 244: A change in depreciation, from an impermissible method to a permissible method. -
 The Applicant reclassified assets originally placed into service after December 31, 2017 and treated as nonresidential real property having a 39 year GDS recovery period to qualified improvement property having a 15 year GDS recovery period.
- Method No. 245: A late election under IRC §168 (g)(7), (i)(5), (k)(7), and (k)(10) or revocation of the election under IRC §168(k)(5), (k)(7), and (k)(10).
 The Applicant is making the election or revoking the election to treat "qualified improvement property" as ADS property depreciated over a 20-year depreciable method under IRC §168(g)(7).
 The Applicant is making the election or revoking the election to take any additional first year depreciation on "qualified improvement property" under IRC §168(k)(7).
 The Applicant is making the election or revoking the election to take 50% additional first year depreciation on "qualified improvement property" placed into service during the tax year including September 27, 2017 under IRC §168(k)(10).

Part II, Question 6a
 The Applicant is not under examination. No further statement is required. **If the applicant is under examination, the special filing requirements must be addressed. Please refer to the IRS Form 3115 instructions.**

Part II, Question 7a & 7b
 Yes, audit protection applies. The Applicant is requesting an automatic change, DCN 244 to change an impermissible method of accounting to a permissible method of accounting for depreciation on any item of qualified improvement property, as defined in §168(i)(6).

Part II, Question 11
 Not required per reduced filing requirement.

Part II, Question 12
 Not required per reduced filing requirement.

Part II, Question 13
 Not required per reduced filing requirement.

Author: [Lester Cook, CCSP](#)

Contributors: [Gian Pazzia, CCSP](#); [Malik Javed, CCSP](#); [John Hanning, CCSP, MBA](#); [Sumit Sharma, CCSP](#)