



# CITY of MODESTO

# BULLETIN for BUILDERS

### Telephone Numbers

7:30a.m. to 5:00 p.m. - 577-5232  
24-hour recorder - 524-7651

Number 212  
March 29, 1991

The City of Modesto publishes this bulletin to inform the building industry of subjects of current interest.

**BARRIER REMOVAL AND THE IRS:** Attached with this Bulletin is an article regarding tax deductions for construction to remove architectural barriers. IRS Code Section 190 allows taxpayers to deduct up to \$15,000 in a single year for the removal of barriers for the disabled. The types of expenses that qualify for this deduction are expenses that make any profit-making establishment more accessible to the disabled and/or elderly. The attached article gives some examples that qualify for this deduction.

### ENERGY STANDARDS:

- Q. Are there water heaters approved by the CEC that do not require wrapping the water heater with insulation?
- A. Yes. Our office has a list of approved water heaters for your viewing.

**VESTED MAPS:** Many developers have not kept track of the expiration date of their vested maps. Therefore, we are identifying those vested maps that will expire. In order for us to process plans, we must have sufficient time to review; this means that projects must be submitted at least two weeks before vesting expires for single-family projects and eight weeks before vesting expires for multifamily and condo projects.

Once vesting expires, capital facilities fees are applicable.

### Vested Subdivision Maps

### Vesting Expires

English Meadows	05/02/91
Scenic Estates No. 2	05/09/91
Mountainview Terrace No. 4	05/17/91
Oxford Place	05/23/91
Columbine Place	05/24/91
Copper Creek No. 3	06/07/91
California Chardonnay No. 2	06/21/91
River Bend Estates	06/27/91
Pinetree Village No. 3	07/25/91

PLAN CHECK BACKLOG: The following log is prepared to give an estimate of the time it will take for processing of an application. It must be emphasized that this estimate is good only for complete plans; that is, plans that provide sufficient information for our plan checkers to clearly examine them for compliance with the Code of the City of Modesto. This includes the forms necessary for compliance with State Energy Regulations, calculations, and landscape and irrigation plans when required (submitted to Parks and Recreation).

<u>TYPE OF BUILDING</u>	<u>NUMBER OF WEEKS FROM DATE SUBMITTED UNTIL PLAN IS READY</u>
Residential and Duplex	2
Multifamily and Commercial	8

We have established a policy of notifying all applicants once their plans have been checked and a permit is ready. This will relieve you of the necessity of contacting our office to inquire when the permits will be ready.

SWIMMING POOLS CONSTRUCTED:

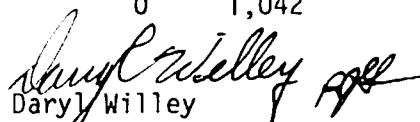
<u>February 1991</u>	<u>January-February 1991</u>	<u>Total Valuation of Swimming Pools in 1991</u>
6	17	\$281,867

MOBILEHOME SETUPS:

<u>February 1991</u>	<u>January-February 1991</u>	<u>Total Valuation of Mobilehome Setups in 1991</u>
0	1	\$1,500

STATISTICS, MONTHLY:

	<u>Permits Issued, Dwelling Units</u>				<u>Values</u>
	<u>Single Family</u>	<u>Duplexes</u>	<u>Multiple Family</u>	<u>Total</u>	<u>All Residential and Commercial</u>
March 1990	223	0	0	223	\$ 22,006,000
April 1990	242	0	0	242	30,934,000
May 1990	80	2	0	82	14,100,000
June 1990	86	2	0	88	9,809,000
July 1990	59	0	0	59	6,492,000
August 1990	28	4	0	32	12,435,000
September 1990	7	2	0	9	4,188,000
October 1990	103	0	0	103	50,198,000
November 1990	40	20	0	60	7,164,000
December 1990	108	0	0	108	12,488,000
January 1991	20	2	0	22	5,813,000
February 1991	12	2	0	14	3,827,000
Total, 12 Months	1,008	34	0	1,042	\$179,454,000

  
Daryl Willey  
Chief Building Official

# BARRIER REMOVAL & THE IRS

Gary Bosworth

Now that the American with Disabilities Act has been signed by President Bush we can sit back and rest, right — Wrong!!

Any law is only good as long as people are encouraged to obey it. Stiff enforcement will probably become necessary in various sectors of society. However there are other tools that can be equally important in having the ADA live up to its full potential.

It is always best if businesses can be convinced to want to comply, instead of dragged kicking and screaming. That convincing is much easier if we show them how they can save money by including accessibility modifications in their plans. Then many businesses that aren't even covered by the ADA will work to become accessible anyway.

Luckily the Internal Revenue Service taxation code already has an excellent tax incentive for business to become accessible. IRS Code Section 190 deals with the little known Architectural Barriers Removal Deduction.

There are many complex parts to our nation's taxation system; but for most of us, Income Tax law heads the list of top priorities. Because of the many intricacies and the various ins and outs of our ever changing regulations, it is hard for the average business to stay well informed on this important subject and this is especially vital for the small business person.

*The massive overhaul of regulations that were brought about by the Tax Reform Act of 1986, the Revenue Act of 1987 and the Technical Corrections Act of 1988 have drastically reduced or eliminated many of the well-known deductions. Thus, it has become increasingly difficult to find good tax-saving techniques. The Architectural Barriers Removal Deduction is, however, a little known but well-tested tax deduction that is still available.*

IRS Code Section 190 allows a very generous deduction of up to \$15,000

a year for expenses spent in removing barriers to the disabled and elderly. This deduction makes such expenses very cost effective. Section 190 changes the character and cost effectiveness of those expenses that normally require depreciation over a period of up to 30 1/2 years. Instead, the taxpayer can deduct up to \$15,000 in a single year all at once.

The types of expenses that qualify are any expenses that make a business, rental property, or other profit-making establishment more accessible to the disabled and/or elderly. In its regulations, the IRS has laid out a number of simple examples that would qualify for this generous treatment. Some of them are:

Having public walkways at least 48 inches wide,

Having no more than a 5% grade on walkways,

Handicapped parking spaces,

Ramps instead of steps,

Curb cuts or curb ramps,

Doorways at least 32 unobstructed inches wide,

Door platforms of at least 5 feet in length,

Door thresholds level with floor,

Toilet stalls for wheelchairs,

Wheelchair-accessible water fountains and public phones,

Wheelchair-accessible buses, vans, and other vehicles.

This is just a small sampling of the possible expenses listed directly in the IRS regulations under Section 190. And the IRS has even left the door open to possibilities not covered in detail in their regulations by stating that any expense not covered by the examples are still deductible if the expense satisfies these tests:

1. The removed barrier must have been a substantial access barrier for use of the facility or transportation by disabled or elderly persons, for at least one major class (such as blind, deaf, wheelchair users, et cetera); and;
2. The barrier must be removed in

such a way as to not create a new barrier to that or any other major class of disabled or elderly persons.

The beauty of Section 190 is that many businesses periodically remodel, expand or upgrade their business surroundings. If a business plans to remodel in the near future, it makes excellent sense to use this opportunity to make the business accessible.

Any expenses that can be shown as being directly related to the barrier removal become fully deductible in the first year up to \$35,000. If the remodeling was done at the same time as the accessibility improvements, and those improvements were an integral part of the remodeling, much of the remodeling expenses become deductible under IRS Code Section 190 as an amortization expense. In fact, this Architectural Barriers Removal Deduction is just about the only type of amortization that allows an immediate one-year write-off period.

To give a simple example of how productive this deduction is, let's look at an illustration. Mr. Brown owns a building where he operates a restaurant that is due for some remodeling in the amount of \$10,000. Normally he would be required to depreciate the \$10,000 over a life-time of 30 1/2 years for a maximum tax deduction of \$328 in the first year. Assuming Mr. Brown is in the 28% bracket he would lower his federal taxes by \$92, not much for an expenditure of \$10,000.

However, if that \$10,000 were spent so that it was deductible under Section 190, the tax deduction for the year would be \$10,000. Assuming the same 28% tax bracket, the federal tax would be lowered by \$2,800 rather than \$92 - a savings of \$2,708 over the previous method. And this doesn't even take into account the additional savings possible on state income and self-employment taxes.

The Architectural Barriers Removal Deduction of Code Section 190 is outlined in IRS Publication 907, Tax

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## BARRIER REMOVAL & IRS

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Information for Handicapped and Disabled Individuals, under the section labeled 'Business Tax Incentives.'

In some cases business owners might even qualify for Redevelopment or other matching funds for some of the expenditures. Local government agencies should be able to help with the procedural details of applying for such funds.

The numbers speak for themselves. Accessibility makes good business and economic sense. Smart business persons would readily agree that they want to make it easier for more people to be able to use their business establishment so they can spend their money there.

The difficult job ahead is to spread the word about the excellent financial and tax benefits available by using the Architectural Barriers Removal Deduction described in IRS Code Section 190. To do this we must target two primary audiences: the business community itself and the tax professionals who provide professional advice to those businesses.

You can do this through speakers' bureaus, by visiting local chambers of commerce and other prominent business organizations like Rotary and Lions, and by offering to put together special ADA compliance seminars with separate meetings focusing on different subjects related to the ADA, including the tax benefits available to businesses.

This is a natural idea with immense potential appeal for the disability community. We can become the teachers for the business community and meet their needs and ours in this way.

Gary Bosworth, a registered tax preparer with the firm of Mitzi Mayer & Associates located in Palm Springs, California is chairperson of the Desert Hot Springs Rotary Accessibility Project and member of the board of directors of ADAPT of Southern California.

### ADDENDUM

Here is some late breaking news. With the passage of the Revenue Reconciliation Act of 1990 on October 27, 1990, a significant change has occurred to the Architectural Barrier Removal Deduction. As of January 1, 1991 (for calendar year taxpayers) the maximum annual write-off under Code Section 190 is being reduced from \$35,000 to \$15,000. Except for this new lower limitation, Code Section 190 is left unchanged and will still be available to all businesses.

#### New Accessibility Credit for Small Businesses

The Revenue Reconciliation Act of 1990 has buried in it an exciting new credit for small businesses—the Disabled Access Credit. Expenditures to make a small business accessible to persons with disabilities are eligible for this new credit.

The amount of the credit is 50% of the amount over \$250 spent for accessible features, not to exceed \$10,250. As such, the maximum credit in any one year is \$5,000. The expenditure must be incurred after passage of the Revenue Reconciliation Act of 1990 (October 27, 1990).

This is an elective credit, so the taxpayer can choose which is better for his/her circumstances—Code Section 190 or the new Code Section 44. The two Code sections can both be used in the same year as long as the same expenditure is not claimed under both sections. This prevents double benefits for the same expenditures.

So by applying the two options to different expenditures, the taxpayer can get a \$5,000 credit and a \$15,000 deduction on expenditures of \$25,250. The following chart compares the two Code sections.

	Code Section 190	Code Section 44
Deduction or Credit	Deduction against income	Credit against taxes
Maximum eligible expense	\$15,000	\$10,250
Types of businesses eligible	All	Small <sup>1</sup>
Can it be carried forward or carried back	Only as part of a net operating loss	Forward, yes, if unused; back, yes, if unused <sup>2</sup>

<sup>1</sup> Definition of a small business under Code Section 44—a business with annual gross receipts under \$1 million, or less than 31 full-time employees.

<sup>2</sup> Cannot be carried back before 1990. There is a small window of opportunity between 10-27-90 and 1-1-91, after the new Disabled Access Credit starts, and before the old Architectural Barrier Removal Deduction is reduced. For that short period, the total available by combining the credit and deduction is \$35,000 + \$10,250 = \$45,250.

**WE NEED YOUR HELP!!!!!!**

THE NEW WORLD NEEDS AN ADVERTISING MANAGER. A COMMISSION IS OFFERED.  
PLEASE CONTACT CAPH PRESIDENT HUGH HALLENBERG AT 213 479-3016 IF INTERESTED.