



Tax Reduction Letter

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Proposed Reg. Section 1.168-2(l)(1)

Accelerated Cost Recovery System.

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(1) *Definitions.* For purposes of section 168 and §§ 1.168-1 through 1.168-6 --

(1) *Disposition.* The term "disposition" means the permanent withdrawal of property from use in the taxpayer's trade or business or use for the production of income. Withdrawal may be made in several ways, including sale, exchange, retirement, abandonment, or destruction. A disposition does not include a transfer of property by gift or by reason of the death of the taxpayer. See § 1.168-5(f) (3) and (4). A disposition also does not include the retirement of a structural component of 15-year real property. The manner of disposition (*e.g.*, ordinary retirement, abnormal retirement) is not a consideration. For rules relating to nonrecognition transactions see section 168(f) (7) and (10) and the regulations thereunder. For rules relating to the recognition of gain or loss on dispositions, see § 1.168-6.

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