

## Reg. Section 1.263A-11(e)(1)

### Accumulated production expenditures

#### (e) Improvements—

(1) General rule. If an improvement constitutes the production of designated property under section 1.263A-8(d)(3), accumulated production expenditures with respect to the improvement consist of—

- i. All direct and indirect costs required to be capitalized with respect to the improvement,
- ii. In the case of an improvement to a unit of real property—
  - (A) An allocable portion of the cost of land, and
  - (B) For any measurement period, the adjusted basis of any existing structure, common feature, or other property that is not placed in service or must be temporarily withdrawn from service to complete the improvement (associated property) during any part of the measurement period if the associated property directly benefits the property being improved, the associated property directly benefits from the improvement, or the improvement was incurred by reason of the associated property. See, however, the de minimis rule under paragraph (e)(2) of this section that applies in the case of associated property.
- iii. In the case of an improvement to a unit of tangible personal property, the adjusted basis of that asset being improved if the asset either is not placed in service or must be temporarily withdrawn from service to complete the improvement.