

Reg. Section 1.263(a)-1(a)(1)

Capital expenditures; In general.

(a) Except as otherwise provided in chapter 1 of the Code, no deduction shall be allowed for:

 (1) Any amount paid out for new buildings or for permanent improvements or betterments made to increase the value of any property or estate, or

(2) Any amount expended in restoring property or in making good the exhaustion thereof for which an allowance is or has been made in the form of a deduction for depreciation, amortization, or depletion.

(b) In general, the amounts referred to in paragraph (a) of this section include amounts paid or incurred (1) to add to the value, or substantially prolong the useful life, of property owned by the taxpayer, such as plant or equipment, or (2) to adapt property to a new or different use. Amounts paid or incurred for incidental repairs and maintenance of property are not capital expenditures within the meaning of subparagraphs (1) and (2) of this paragraph. See section 162 and § 1.162-4. See section 263A and the regulations thereunder for cost capitalization rules which apply to amounts referred to in paragraph (a) of this section with respect to the production of real and tangible personal property (as defined in § 1.263A-1T (a)(5)(iii)), including films, sound recordings, video tapes, books, or similar properties. An amount referred to in paragraph (a) of this section is a capital expenditure that is taken into account through inclusion in inventory costs or a charge to capital accounts or basis no earlier than the taxable year during which the amount is incurred within the meaning of § 1.446-1(c)(1)(ii). See section 263A and the regulations thereunder for cost capitalization rules that apply to amounts referred to in paragraph (a) of this section with respect to the production of real and tangible personal property (as defined in § 1.263A-2(a)(2)), including films, sound recordings, video tapes, books, or similar properties.

(c) The provisions of paragraph (a) (1) of this section shall not apply to expenditures deductible under:

(1) Section 616 and §§ 1.616-1 through 1.616-3, relating to the development of mines or deposits,

(2) Section 174 and §§ 1.174-1 through 1.174-4, relating to research and experimentation,

(3) Section 175 and §§ 1.175-1 through 1.175-6, relating to soil and water conservation,

(4) Section 179 and §§ 1.179-1 through 1.179-5, relating to election to expense certain depreciable business assets,

- (5) Section 180 and §§ 1.180-1 and 1.180-2, relating to expenditures by farmers for fertilizer, lime, etc., and
- (6) Section 182 and §§ 1.182-1 through 1.182-6, relating to expenditures by farmers for clearing land.