



Tax Reduction Letter

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Rev. Rul. 71-475

M, a domestic corporation, owns unproductive property on which it incurred advertising expense during the current taxable year. *M* also owns several parcels of unproductive real property. Some of the property is unimproved and some is improved. During the current taxable year *M* incurred expenses for the maintenance and upkeep of such unproductive real property. These expenses include salaries of a manager and assistant who have direct supervision of all properties, wages of laborers whose work consists of mowing weeds and making minor repairs on buildings which are not producing income, and rent for office space necessary to maintain all records pertaining to real estate holdings.

Held, the advertising expense incurred with respect to the unproductive property and the expenses of maintenance and upkeep attributable to improved unproductive real property and real property which is both unimproved and unproductive are not carrying charges within the meaning of section 1.1016-2(c) of the Income Tax Regulations and section 266 of the Internal Revenue Code of 1954 and, therefore, cannot be capitalized.

I.T. 2701, C.B. XII-2, 76 (1933), and I.T. 2284, C.B. V-1, 10 (1926), are hereby superseded, since the positions stated therein are set forth under the current statute and regulations in this Revenue Ruling.

1 Prepared pursuant to Rev. Proc. 67-6, C.B. 1967-1, 576.