LIST OF SUBSTANTIVE CHANGES AND ADDITIONS

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PPC's Guide to Real Estate

Twenty-third Edition (August 2015)

Highlights of this Edition

The following are some of the important update features of the 2015 edition of *PPC's Guide to Real Estate.*

- **Discusses Recent FASB Activity.** The FASB has recently issued Accounting Standards Updates (ASUs) that may affect real estate accounting and reporting. Your *Guide* includes discussions of those recently-issued ASUs and how they may affect your business or your client's financial statements.

- **Added a New Disclosure Checklist Specific to Real Estate.** Your *Guide* includes a new practice aid, "Additional Disclosures for Certain Real Estate Operators and Developers," which is a checklist of supplemental disclosure requirements that are unique to certain real estate operators and developers.

- **Expired Internal Revenue Code Provisions.** Various tax provisions expired at the end of 2014, but may be extended to 2015. These items include the increased Section 179 deduction; additional first-year bonus depreciation; 15-year recovery period for qualified leasehold improvements, retail improvements and restaurant property; and several tax credits. These expired provisions have been highlighted in this edition of the *Guide.*

- **Guidance on Accounting Method Changes Required to Comply with the Tangible Property Regulations.** The *Guide* has been updated for coverage of revenue procedures issued in 2015 that supersede existing guidance on making accounting method changes. Also, a qualified small taxpayer exception allows certain taxpayers to make the required accounting method change to comply with the tangible property regulations without filing Form 3115.

- **Court Ruling in *Howard Hughes* Case.** The impact of a recent Tax Court ruling was discussed that provides information on the definition of a qualified homebuilder for purposes of the completed contract method.

- **Recent IRS Guidance and Court Decisions That Impact Real Estate Professionals and Transactions.** Revised discussions for recent IRS guidance and court decisions that impact real estate professionals and real estate transactions.

In addition to these featured items, your *Guide* includes the following update items detailed on the next page.

Chapter	Substantive Changes and Additions	Reference
CHAPTER 1		
Overview	1. Updated the discussion regarding the FASB's new revenue recognition guidance for ASU No. 2015-14, *Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date*.	Paragraph 104.18
	2. Added a brief discussion of the Joint Transition Resource Group for Revenue Recognition.	Paragraphs 104.24–.25
	3. Updated the section concerning proposed accounting standards that could significantly impact real estate entities.	Section 105
CHAPTER 2		

Chapter	Substantive Changes and Additions	Reference
Land Development Costs	1. Updated the footnote for the issuance of ASU No. 2015-14.	Paragraph 200.4
	2. Added a discussion of ASU No. 2015-01, *Income Statement—Extraordinary and Unusual Items (Subtopic 225-20): Simplifying Income Statement Presentation by Eliminating the Concept of Extraordinary Items*.	Paragraph 202.65
CHAPTER 3		
Building Costs	1. Updated the footnote for the issuance of ASU No. 2015-14.	Paragraphs 300.4 and 300.5
CHAPTER 4		
Sales of Real Estate Other Than Retail Land Sales	1. Updated the footnote discussing the new revenue recognition standard for the issuance of ASU No. 2015-14.	Paragraphs 400.1 and 406.10
	2. Updated the footnote discussing the FASB's credit losses project.	Paragraph 401.19
	3. Revised the illustrative example of accounting for continuing seller involvement when the seller retains a partial ownership interest in property sold to a buyer in which the seller has a controlling interest.	Paragraph 403.35
CHAPTER 5		
Retail Land Sales	1. Updated the footnote for the issuance of ASU No. 2015-14.	Paragraph 500.1
CHAPTER 6		
Leasing Real Estate	1. Updated the footnote discussing the FASB's lease accounting project.	Paragraph 600.1
	2. Updated the footnote discussing the new revenue recognition standard for the issuance of ASU No. 2015-14.	Paragraph 600.1
	3. Added a footnote to the discussion of leases acquired in a business combination for the issuance of ASU No. 2014-18, *Business Combinations (Topic 805): Accounting for Identifiable Intangible Assets in a Business Combination (a consensus of the Private Company Council)*.	Paragraph 613.26
CHAPTER 7		
Sale-leaseback Transactions	1. Updated the footnote discussing the new revenue recognition standard for the issuance of ASU No. 2015-14.	Paragraph 700.2
	2. Updated the footnote discussing the FASB's lease accounting project.	Paragraph 700.2
CHAPTER 8		

Chapter	Substantive Changes and Additions	Reference
Impairment and Other Issues	1. Updated the footnote discussing the FASB's credit losses project.	Paragraph 805.2
	2. Added a footnote for the issuance of ASU No. 2015-01.	Paragraphs 808.8, 808.14, 808.25, and 810.12
CHAPTER 9		
Investments In Real Estate Ventures	1. Expanded the discussions of determining when to consolidate for the issuance of ASU No. 2015-02, *Consolidation (Topic 810): Amendments to the Consolidation Analysis*.	Paragraphs 901.27–.33 and 904.32–.33
	2. Updated the footnote for the issuance of ASU No. 2015-14.	Paragraph 902.1
	3. Added a footnote to the discussion of applying the equity method for the issuance of a proposed ASU, *Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting*.	Paragraphs 902.45 and 902.46
CHAPTER 10		
Financial Statement Considerations	1. Updated the footnote for the issuance of ASU No. 2015-14.	Paragraph 1000.1
	2. Updated the footnote discussing the FASB's credit losses project.	Paragraph 1006.17
	3. Added a footnote to the discussion of investments in real estate ventures for the issuance of ASU No. 2015-01.	Paragraph 1006.31
	4. Added a footnote to the discussion of disclosures for investments accounted for under the equity method for the issuance of a proposed ASU, *Investments—Equity Method and Joint Ventures (Topic 323): Simplifying the Equity Method of Accounting*.	Paragraph 1006.33
	5. Added a footnote to the discussion of note disclosures for nonrecurring fair value measurements for the issuance of ASU No. 2015-10, *Technical Corrections and Improvements*.	Paragraph 1006.56
	6. Updated the discussion of special purpose financial statements for the issuance of SSARS No. 21, *Statements on Standards for Accounting and Review Services: Clarification and Recodification*.	Section 1009
	7. Added a footnote to the discussion of extraordinary items for the issuance of ASU No. 2015-01.	Paragraph 1009.31
	8. Updated the footnote for the issuance of ASU No. 2015-14.	Paragraph 1009.44
	9. Updated the discussion regarding GAAP disclosure requirements for uncertainty in income taxes in special purpose financial statements.	Paragraphs 1009.65–.67

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Real Estate Checklists and Practice Aids	1. Updated the checklist of financial statement disclosure requirements for changes in authoritative literature.	ARE-PA-10.1
	2. Added a checklist of supplemental financial statement disclosures unique to certain real estate entities.	ARE-PA-10.2
CHAPTER 11		
Tax Acquisition of Real Estate	1. Expanded the discussion regarding the holding period rule of special use valuation property.	Section 1102
	2. Updated discussion for new accounting change method procedures for taxpayers implementing cost segregation studies.	Section 1103
	3. Noted June 2014 revisions to the Circular 230 rules regarding written tax opinions that include cost segregation studies prepared by practitioners.	Section 1103
	4. Updated the discussion for the expiration of the higher limit for Section 179 deductions starting in 2015.	Section 1103
CHAPTER 12		
Tax Subdivision and Development	1. Updated transaction cost guidance for tax treatment of success-based fees and alerted readers to a safe harbor election available for these fees.	Section 1201
	2. Expanded the discussion regarding the treatment of common improvement costs made to land.	Section 1202
	3. Updated the discussion on rules addressing partnership transactions involving contracts accounted for under a long-term contract method.	Section 1205
	4. Included recent Tax Court case decision where the taxpayer did not meet the definition of a qualified homebuilder for purposes of the completed contract method.	Section 1207
	5. Noted the issuance of proposed regulations dealing with taxpayer-initiated accounting method changes.	Section 1211
	6. Added a new sample election for real estate developers to use the alternative cost method for common improvements.	Appendix 12A
CHAPTER 13		
Tax Operations and Leasing	1. Updated guidance for recent revenue procedures related to the tangible property regulations, including those governing dispositions and partial dispositions of MACRS property.	Section 1305
	2. Discussed a Chief Council Advice that lump sum reimbursements for improvements were not deemed to be rental income to a lessor.	Section 1306

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	3. Included a table of the elections available under the tangible property regulations and the procedural requirements for making these elections.	Appendix 13H
CHAPTER 14		
Tax Limitations on Real Estate Losses	1. Updated guidance for final regulations providing that basis in debt is derived from any *bona fide* indebtedness of the entity that runs directly to the interest holder.	Sections 1401
	2. Mentioned a recent Chief Council Advice in which the IRS found that the guarantor of LLC debt may be at risk for such debt even if the guarantor does not waive rights of subrogation and reimbursement.	Section 1402
	3. Discussed recent IRS guidance on real estate professionals who bring together buyers and sellers qualifying for the real estate professional relief provision.	Section 1408
	4. Explained a recent Chief Council Advice for taxpayers electing to combine rental real estate activities under the single activity election of Reg. 1.469-9(g).	Section 1408
	5. A recent court case is included that clarifies the original return filing requirement of the single activity election of Reg. 1.469-9(g).	Section 1408
CHAPTER 15		
Tax Dispositions of Real Estate	1. Expanded installment sale discussion for ineligible transactions.	Section 1507
	2. Discussed the *Balsam Mountain* ruling regarding the ability to deduct a contribution of a qualified real property interest.	Section 1515
CHAPTER 16		
Tax Depreciation and Credits	1. Included recent IRS guidance regarding changes to automatic accounting method procedures to comply with the tangible property regulations (Rev. Procs. 2015-13, 2015-14 and 2015-33).	Section 1601
	2. Expanded discussion of property eligible for additional research or minimum tax credits, in lieu of bonus depreciation, for 2015 and 2016 (long-production period property).	Section 1601
	3. Noted *Stine* case where placed-in-service date for a retail store building was based on the building's ability to perform its intended function, despite certificates of occupancy that did not permit customers in the building.	Section 1601
	4. Discussed recent IRS guidance on the availability of the low-income housing credit when a tenant's income exceeds required limits.	Section 1611