

Tax Information

Agricultural

The agricultural drainage system is classified as a section 1245 asset (Rev Rul 83-13) and is considered tangible property subject to the allowance for depreciation. Drainage systems are included in asset class 00.3 Land Improvements, which has a 15-year depreciation recovery period. Drainage systems also meet the 30% and 50% Bonus depreciation definitions of “qualified property” thus allowing for much faster write-off of the cost of the drainage system.

Drainage systems will also qualify as Sec.179 property for many landowners. This section allows taxpayers to treat the cost of Sec 179 property as a current year write-off rather than capitalizing it and writing it off over the depreciation recovery period. The Sec. 179 limit for 2002 is \$24,000 and for 2003 is \$100,000. This deduction is only allowable for the tax year in which this property is placed in service. As in most sections of the tax law there are definitions and rules for meeting eligibility of Sec 179 so a detailed review of the taxpayer’s situation is recommended.

Golf Courses

The costs of land preparation and installation costs of a network of underground drainage tiles and pipes installed by the taxpayer in the original construction or reconstruction of modern greens should be capitalized and depreciated over the recovery period of the modern green. The modern green is includible in asset class 00.3 Land Improvements. However, general earthmoving, grading and initial shaping of the area surrounding and underneath the modern green that occur before the construction of the green are inextricably associated with the land and, therefore, the costs attributable to this construction are added to the taxpayer’s basis in the land and are not depreciable. (Rev-Rul 2001Fed ¶46,727)

The costs of drainage pipe systems installed in fairways and other areas of the golf course will meet the same definitions as the agricultural drainage systems noted above.