

election under section 187. See subparagraph (2) of this section for rules as to filing amended returns for years for which amortization deductions have been taken.

(d) *Examples.* This section may be illustrated by the following examples:

*Example 1.* On September 30, 1970, the X Corporation, which uses the calendar year as its taxable year, places in service a piece of coal mine safety equipment required as a result of the Federal Coal Mine Health and Safety Act of 1969 which is certified as indicated in paragraph (a) of § 1.187-2. The cost of the equipment is \$120,000. On its income tax return filed for 1970, the corporation elects to take the amortization deductions allowed by section 187(a) with respect to the equipment and to begin the 60-month amortization period with October 1970, the month following the month in which it was placed in service. The adjusted basis at the end of October 1970 (determined without regard to the amortization deduction allowed by section 187(a) for that month) is \$120,000. The allowable amortization deduction with respect to such equipment for the taxable year 1970 is \$6,000, computed as follows:

Monthly amortization deductions:	
October: \$120,000 divided by 60 .....	\$2,000
November: \$118,000 (\$120,000 minus \$2,000) divided by 59 .....	2,000
December: \$116,000 (\$118,000 minus \$2,000) divided by 58 .....	2,000
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Total amortization deduction for 1970 ....	6,000

*Example 2.* Assume the same facts as in *Example 1*. Assume further that on May 20, 1972, X properly files notice of its election to discontinue the amortization deductions with the month of June 1972. The adjusted basis of the equipment as of June 1, 1972 (assuming no capital additions or improvements) is \$80,000, computed as follows: Yearly amortization deductions computed in accordance with *Example 1*:

1970 .....	\$6,000
1971 .....	24,000
1972 (for the first 5 months) .....	10,000
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Total amortization deductions for 20 months .....	40,000

Adjusted basis at beginning of amortization period .....	120,000
Less: Amortization deductions .....	40,000
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Adjusted basis as of June 1, 1972 .....	80,000

Beginning as of June 1, 1972, the deduction for depreciation under section 167 is allowable with respect to the property on its adjusted basis of \$80,000.

*Example 3.* Assume the same facts as in *Example 1*, except that on its income tax return filed in 1970, X does not elect to take amortization deductions allowed by section 187(a)

but that on its income tax return filed for 1971 X elects to begin the amortization period as of January 1, 1971, the taxable year succeeding the taxable year the equipment was placed in service. Assume further that the only adjustment to basis for the period October 1, 1970, to January 1, 1971, is \$3,000 for depreciation (the amount allowable, of which \$2,000 is for additional first year depreciation under section 179) for the last 3 months of 1970. The adjusted basis (for determining gain) for purposes of section 187 as of that date is \$120,000 less \$3,000 or \$117,000.

[T.D. 7137, 36 FR 14733, Aug. 11, 1971; 36 FR 16656, Aug. 25, 1971]

**§ 1.187-2 Definitions.**

(a) *Certified coal mine safety equipment*—(1) *In general*—(i) The term *certified coal mine safety equipment* means property which:

(a) Is electric face equipment (within the meaning of section 305 of the Federal Coal Mine Health and Safety Act of 1969) required in order to meet the requirements of section 305(a)(2) of such Act,

(b) The Secretary of the Interior or the Director of the Bureau of Mines certifies is permissible within the meaning of such section 305(a)(2), and

(c) Is placed in service (as defined in subparagraph (2)(i) of this paragraph) before January 1, 1975.

(ii) In addition, property placed in service in connection with any used electric face equipment which the Secretary of the Interior or the Director of the Bureau of Mines certifies makes such used electric face equipment permissible shall be treated as a separate item of certified coal mine safety equipment. See subparagraph (2)(ii) of this paragraph.

(2) *Meaning of terms.* (i) For purposes of subparagraph (1)(i)(c) of this paragraph, the term *placed in service* shall have the meaning assigned to such term in paragraph (d) of § 1.46-3.

(ii) For purposes of subparagraph (1)(ii) of this paragraph, the term *property* includes those costs of converting existing nonpermissible electric face equipment to a permissible condition which are chargeable to capital account under the principles of § 1.1016-2. Property is considered to be placed in service in connection with used electric face equipment (which was not permissible) if its use causes such electric

face equipment to be certified as permissible.

(b) *Adjusted basis*—(1) *In general.* The basis upon which the deduction with respect to amortization allowed by section 187 is to be computed with respect to any item of certified coal mine safety equipment shall be the adjusted basis provided in section 1011 for the purpose of determining gain on the sale or other disposition of such property (see part II (section 1011 and following) subchapter O, chapter 1 of the Code) computed as of the first day of the amortization period. For an example showing the determination of the adjusted basis referred to in the preceding sentence in the case where the amortization period begins with the taxable year succeeding the taxable year in which the property is placed in service see *Example 3* in paragraph (d) of § 1.187-1.

(2) *Capital additions.* The adjusted basis of any certified coal mine safety equipment, with respect to which an election is made under section 187(b), shall not be increased, for purposes of section 187, for amounts chargeable to the capital account for additions or improvements after the amortization period has begun. However, nothing contained in this section or § 1.187-1 shall be deemed to disallow a deduction for depreciation for such capital additions. Thus, for example, if a taxpayer places a piece of certified coal mine safety equipment in service in 1971 and in 1972 makes improvements to it the expenditures for which are chargeable to the capital account, such improvements shall not increase the adjusted basis of the equipment for purposes of computing the amortization deduction allowed by section 187(a). However, the depreciation deduction provided by section 167 shall be allowed with respect to such improvements in accordance with the principles of section 167.

[T.D. 7137, 36 FR 14734, Aug. 11, 1971; 36 FR 19251, Oct. 1, 1971]

**§ 1.188-1 Amortization of certain expenditures for qualified on-the-job training and child care facilities.**

(a) *Allowance of deduction*—(1) *In general.* Under section 188, at the election of the taxpayer, any eligible expenditure (as defined in paragraph (d)(1) of

this section) made by such taxpayer to acquire, construct, reconstruct, or rehabilitate section 188 property (as defined in paragraph (d)(2) of this section) shall be allowable as a deduction ratably over a period of 60 months. Such 60-month period shall begin with the month in which such property is placed in service. For rules for making the election, see paragraph (b) of this section. For rules relating to the termination of an election, see paragraph (c) of this section.

(2) *Amount of deduction*—(i) *In general.* For each eligible expenditure attributable to an item of section 188 property the amortization deduction shall be an amount, with respect to each month of the 60-month amortization period which falls within the taxable year, equal to the eligible expenditure divided by 60. The total amortization deduction with respect to each item of section 188 property for a particular taxable year is the sum of the amortization deductions allowable for each month of the 60-month period which falls within such taxable year. The total amortization deduction under section 188 for a particular taxable year is the sum of the amortization deductions allowable with respect to each item of section 188 property for that taxable year.

(ii) *Separate amortization period for each expenditure.* Each eligible expenditure attributable to an item of section 188 property to which an election relates shall be amortized over a 60-month period beginning with the month in which the item of section 188 property is placed in service. Thus, if a taxpayer makes an eligible expenditure for an addition to, or improvement of, section 188 property, such expenditure must be amortized over a separate 60-month period beginning with the month in which the section 188 property is placed in service.

(iii) *Separate items.* The determination of what constitutes a separate item of section 188 property is to be made on the basis of the facts and circumstances of each individual case. Additions or improvements to an existing item of section 188 property are treated as a separate item of section 188 property. In general, each item of personal property is a separate item of