5. The property must not be the taxpayer's residence because it is not considered to be income producing.

Because land is a nondepreciable asset, total purchase price must reflect an allocation between land and improvements because the latter must be assigned a separate value. If an appraisal does not assign a percentage of total purchase price to improvements, the IRS will accept a prior year's property tax determination. Although that particular value may be obsolete and thus not representative of actual purchase price, the percentage of total value allocated to improvements may be used. The higher the percentage of total value assigned to improvements, the greater the annual depreciation deduction and, as a result, the lower the tax obligation will be.

Government has modified depreciation schedules over the years. For example, if a piece of equipment has a useful life of 15 years and an original cost of $15,000, for tax purposes, it could be depreciated at $1,000 per year. But, when that equipment needs to be replaced, it may very well cost $30,000. Between 1981 and 1986, the IRS had been taking notice of the relatively high rate of inflation by shortening depreciation periods and accelerating recovery of capital with greater depreciation write-offs. This system allowed faster recovery of capital in anticipation of higher replacement costs. As a result, the term depreciation tends to be synonymous with cost recovery. (SEE ALSO: Depreciation Allowance for Landlords; Limited-Dividend Development; Obsolescence)

Further Reading

Development Permit

Development permit is a term with two distinctly different uses. In one use, it refers to a streamlined approach to the administration of suburban development and urban redevelopment schemes. Traditionally, land use development has required public approval or amendments separately under each of several distinct ordinances: for example, zoning and land subdivision. Some municipalities have adopted a unified development ordinance that integrates such provisions into a single code and in which approval takes the form of a development permit. A development permit can be thought of as regulatory reform that enables one-stop application filing for developers.

In its other use, development permit refers to a system of discretionary planning wherein a land owner's ability to develop is limited by the stated requirements of a zoning bylaw but by the requirement that permission of the planner be obtained. Proponents argue that development permits give planners the flexibility they need to negotiate with developers in face of the increasing complexity of land use planning. Critics argue that development permits put too much discretionary power in the hands of planners. However, most planning ordinances do afford planners some degree of discretion; the debate is essentially about how much discretionary power should be given and how it should be exercised. (SEE ALSO: Zoning)

—John R. Miron

Further Reading

Discrimination

Housing market discrimination is the wide variety of illegal acts undertaken by property owners, real estate and home insurance agents, and households who disfavor home seekers on the basis of one or more of their characteristics that are protected by law. Race, nationality, gender, religion, color, familial status, and handicap are classes currently protected by federal law. Housing market discrimination tries to make housing less desirable, affordable, and/or available to individual households who are victimized. At the societal level, housing market discrimination on the basis of race perpetuates segregation of neighborhoods. Discriminatory acts continue to be perpetrated frequently in U.S. housing markets—federal, state, and local laws to the contrary notwithstanding. This entry explains what forms housing discrimination takes, why it occurs, how often it occurs, what harms it has, and legal issues surrounding efforts to eliminate it.

The primary focus is on discriminatory acts, especially promulgated on the basis of race, that occur during housing search, sale, or rental transactions. Discrimination involving the marketing or insurance of homes will also be considered. The topic of discriminatory home mortgage lending is, however, beyond the scope of this entry and is covered elsewhere.

Racial discrimination in other aspects of the housing market beyond the transaction itself is less well identified. Several studies have found a distinctly lower rate of homes advertised for sale in newspapers or having open houses