



Specialized Maintenance Service

Ceiling Restoration in “Betterment” Terms

“To Capitalize or not to Capitalize; that is the Question!”

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Decision-making in the world of business always includes consideration of two questions: (1) What the tax implications may be and (2) How to best allocate available resources. With respect to these two questions, the purpose in this article is to address the answers as they apply to one particular construction process ... dealing with aged/discolored acoustical ceilings in a commercial property remodeling project.

Utilizing the most current technology, ceiling restoration and ceiling betterment are the same. This is true because the ceiling (an asset), once restored, is made better by:

Extending the ceiling’s life cycle

Improving the acoustics (sound absorption)

Increasing fire rating

Lowering toxicity level

In white color, increasing the light reflectance levels

Reducing smoke development (should there ever be a fire)

From an accounting perspective, capital expenses can be spread over time. Therefore, in the commercial sector, it is generally preferable to do so. In what follows, it will be shown that funds spent on the restoration of acoustical ceilings is a capital expenditure.

Technical Definition

First, and using “Investopedia” as a resource, let’s begin with the definition of a “Capital Expenditure – CAPEX.” They define it as:

“Funds used by a company to acquire or upgrade physical assets such as property, industrial buildings or equipment. This type of outlay is made by companies to maintain or increase the scope of their operations. These expenditures can include everything from repairing a roof to building a brand new factory.” It goes on to say:

“In terms of accounting, an expense is considered to be a capital expenditure when the asset is a newly purchased capital asset or an investment that improves the useful life of an existing capital asset. If an expense is a capital expenditure, it needs to be capitalized; this requires the company to spread the cost of the expenditure over the useful life of the asset. If, however, the expense is one that maintains the asset at its current condition, the cost is deducted fully in the year of the expense.”

Advancing The Industry of Surface Sustainability

Another Term

Throughout the literature on this same subject, it is common to see “betterment” used to define the purpose of a capital expenditure. With respect to a particular asset, is the budgeted effort one that results in a “better” condition in terms of the projected life cycle, performance and/or appearance?

With the foregoing in mind, we are able to address the original question: Are funds spent for acoustical ceiling restoration a capital expenditure.

The Apparent Answer

With respect to acoustical ceilings, the restoration technology has continued to be perfected through the years to the extent that it is no longer just a means of avoiding replacement with new materials that is the attraction. To the contrary, the most advanced technology is so well refined that a restored ceiling surface can out-perform that of new materials.

With all of this as background, let’s look closer at the question of whether ceiling restoration is a capital expenditure. When the ceiling was initially installed it became an asset. With respect to the definitions just cited, ceiling restoration improves the useful life of an existing capital asset.” It does that by virtue of the bulleted improvements cited in the second paragraph of this article.

Thus, it would appear the answer is, yes.

Once the capital expense issue is established, other financial benefits of the restoration approach become icing on the proverbial cake. Typically, it costs less than one-half that of replacement with new materials and is completed in one-third of the time. Particularly when considering project time, this can represent a significant budget number. Add to it the positive environmental benefit of not contributing old materials to the land-fills and it becomes a much easier option to adopt.