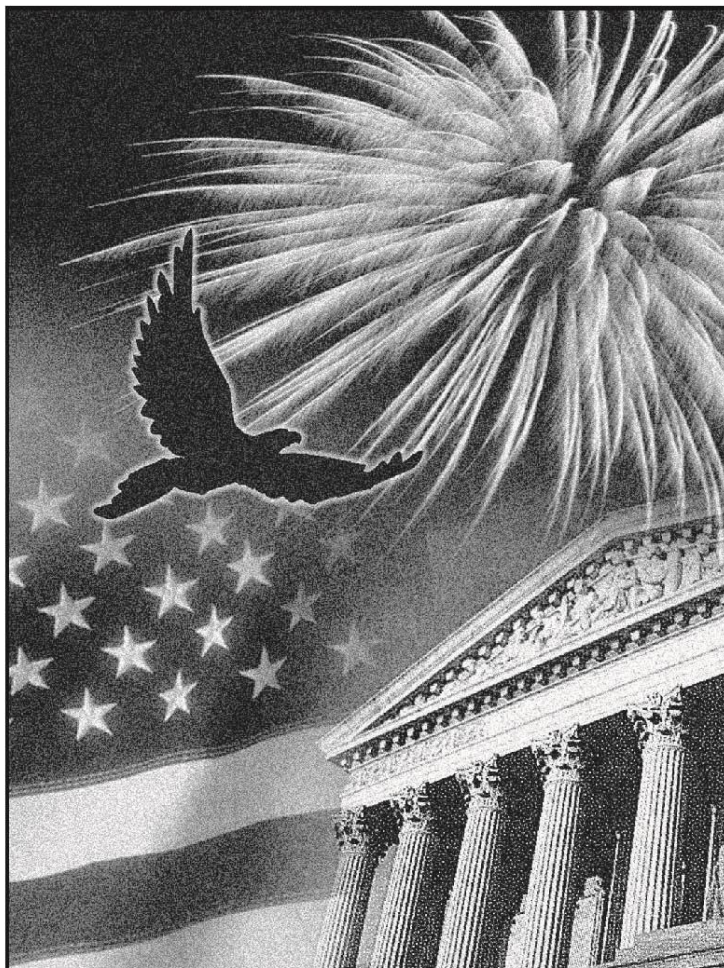


Publication 534

Depreciating Property Placed in Service Before 1987

Volume
1 of 2



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Introduction

The law allows you to recover your cost in business or income producing property through yearly tax deductions. You do this by depreciating your property, that is, by deducting some of your cost on your tax return each year. You can depreciate both tangible property, such as a car, building, or machinery, and certain intangible property, such as a copyright or a patent.

The amount you can deduct depends on:

1. How much the property cost,
2. When you began using it,
3. How long it will take to recover your cost, and
4. Which of several depreciation methods you use.

Depreciation defined. Depreciation is a loss in the value of property over the time the property is being used. Events that can cause property to depreciate include wear and tear, age, deterioration, and obsolescence. You can get back your cost of certain property, such as equipment you use in your business or property used for the production of income by taking deductions for depreciation.

Amortization. Amortization is similar to depreciation. Using amortization, you can recover your cost or basis in certain property proportionately over a specific number of years or months. Examples of costs you can amortize are the costs of starting a business, reforestation, and pollution control facilities. You can find information on amortization in chapter 8 of Pub. 535, Business Expenses.

Alternative minimum tax. If you use accelerated depreciation for real property, or personal property that is leased to others, you may be liable for the alternative minimum tax. Accelerated depreciation is any method that allows recovery at a faster rate in the earlier years than the straight-line method. For more information, you may wish to see the following.

- Form 6251, Alternative Minimum Tax—Individuals.
- Pub. 542, Corporations.

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Tax questions. If you have a tax question not answered by this publication, check [IRS.gov](https://www.irs.gov) and *How To Get Tax Help* at the end of this publication.

How To Use This Publication

This publication describes the kinds of property that can be depreciated and the methods used to figure depreciation on property placed in service before 1987. It is divided into three chapters and contains an appendix.

- Chapter 1 explains the rules for depreciating property under the Accelerated Cost Recovery System (ACRS).
- Chapter 2 explains the rules for depreciating property first used before 1981.
- Chapter 3 explains the rules for listed property. Also, this chapter defines listed property.
- The appendix contains the ACRS Percentage Tables.

Chapter 1. Accelerated Cost Recovery System (ACRS)

Topics

This chapter discusses:

- The definition of ACRS

- What can and cannot be depreciated under ACRS
- How to figure the deduction
- Dispositions

Useful Items

You may want to see: **Publication**

- **544** Sales and Other Dispositions of Assets
- **551** Basis of Assets
- **583** Starting a Business and Keeping Records

Form (and Instructions)

- **3115** Application for Change in Accounting Method
- **4562** Depreciation and Amortization

ACRS applies to property first used before 1987. It is the name given to tax rules for getting back (recovering) through depreciation deductions the cost of property used in a trade or business or to produce income. These rules are mandatory and generally apply to tangible property placed in service after 1980 and before 1987. If you placed property in service

during this period, you must continue to figure your depreciation under ACRS.

If you used listed property placed in service after June 18, 1984, less than 50% for business during the year, see *Predominant Use Test* in chapter 3. Listed property includes cars, other means of transportation, and certain computers.

Any additions or improvements placed in service after 1986, including any components of a building (such as plumbing, wiring, storm windows, etc.), are depreciated using MACRS, discussed in chapter 4 of Pub. 946. It does not matter that the underlying property is depreciated under ACRS or one of the other methods.

ACRS Defined

ACRS consists of accelerated depreciation methods and an alternate ACRS method that could have been elected. The alternate ACRS method used a recovery percentage based on a modified straight-line method. The law prescribes fixed percentages to be used for each class of property.

Property depreciable under ACRS is called ***recovery property***. The recovery class of property determines the recovery period. Generally, the class life of

property places it in a 3-year, 5-year, 10-year, 15-year, 18-year, or 19-year recovery class.

Under ACRS, the prescribed percentages are used to recover the unadjusted basis of recovery property. To figure a depreciation deduction, you multiply the prescribed percentage for the recovery class by the unadjusted basis of the recovery property.

You must continue to figure your depreciation under ACRS for property placed in service after 1980 and before 1987. For property you placed in service after 1986, you must use MACRS, discussed in chapter 4 of Pub. 946.

What Can and Cannot Be Depreciated Under ACRS

ACRS applies to most depreciable tangible property placed in service after 1980 and before 1987. It includes new or used and real or personal property. The property must be for use in a trade or business or for the production of income. Property you acquired before 1981 or after 1986 is not ACRS recovery property. For information on depreciating property acquired before 1981, see chapter 2. For information on depreciating property acquired after 1986, see chapter 4 of Pub. 946.

Recovery Property

Recovery property under ACRS is tangible depreciable property placed in service after 1980 and before 1987. It generally includes new or used property that you acquired after 1980 and before 1987 for use in your trade or business or for the production of income.

Nonrecovery Property

You cannot use ACRS for property you placed in service before 1981 or after 1986. Nonrecovery property also includes:

1. Intangible property,
2. Property you elected to exclude from ACRS that is properly depreciated under a method of depreciation that is not based on a term of years,
3. Certain public utility property, and
4. Certain property acquired and excluded from ACRS because of the antichurning rules.

Intangible property. Intangible property is not depreciated under ACRS.

Property depreciated under methods not expressed in a term of years. Certain property

depreciated under a method not expressed in a term of years is not depreciated under ACRS. This included any property:

1. If you made an irrevocable election to exclude such property; and
2. In the first year that you could have claimed depreciation, you properly used the unit of production method or any method of depreciation not expressed in a term of years (not including the retirement replacement betterment method).

Public utility property. Public utility property for which the taxpayer does not use a normalization method of accounting is excluded from ACRS and is subject to depreciation under a special rule.

Additions or improvements to ACRS property after 1986. Any additions or improvements placed in service after 1986, including any components of a building (plumbing, wiring, storm windows, etc.) are depreciated using MACRS, discussed in chapter 4 of Pub. 946. It does not matter that the underlying property is depreciated under ACRS or one of the other methods.

How To Figure the Deduction

After you determine that your property can be depreciated under ACRS, you are ready to figure your deduction. Because the conventions are built into the percentage table rates, you only need to know the following.

1. The unadjusted basis of your recovery property.
2. The classes of recovery property.
3. The recovery periods.
4. Whether to use the prescribed percentages based on accelerated methods or percentages based on using the alternate ACRS method.

Unadjusted Basis

To figure your ACRS deduction, you multiply the unadjusted basis in your recovery property by its applicable percentage for the year. Unadjusted basis is the same amount you would use to figure gain on a sale, but it is figured without taking into account any depreciation taken in earlier years. However, reduce your original basis by the amount of amortization taken on the property and by any section 179

deduction claimed as discussed in chapter 2 of Pub. 946.

If you buy property, your unadjusted basis is usually its cost minus any amortized amount and minus any section 179 deduction elected. If you acquire property in some other way, such as by inheriting it, getting it as a gift, or building it yourself, you figure your unadjusted basis under other rules. See Pub. 551.

Classes of Recovery

All recovery property under ACRS is in one of the following classes. The class for your property was determined when you began to depreciate it.

3-Year Property

3-year property includes automobiles, light duty trucks (actual unloaded weight less than 13,000 pounds), and tractor units for use over the road. Race horses over 2 years old when placed in service are 3-year property. Any other horses over 12 years old when you placed them in service are also included in the 3-year property class.

The ACRS percentages for 3-year recovery property are:

| Recovery Period | Percentage |
|----------------------|------------|
| 1 st year | 25% |
| 2 nd year | 38% |
| 3 rd year | 37% |

If you used the percentages above to depreciate your 3-year recovery property, your property, except for certain passenger automobiles, is fully depreciated. You cannot claim depreciation for this property after 1988.

5-Year Property

5-year property includes computers, copiers, and equipment, such as office furniture and fixtures. It also includes single purpose agricultural or horticultural structures and petroleum storage facilities (other than buildings and their structural components).

The ACRS percentages for 5-year recovery property are:

| Recovery Period | Percentage |
|----------------------|------------|
| 1 st year | 25% |
| 2 nd year | 38% |
| 3 rd year | 37% |

If you used the percentages above to depreciate your 5-year recovery property, it is fully depreciated. You cannot claim depreciation for this property after 1990.

10-Year Property

10-year property includes certain real property such as theme park structures and certain public utility property. Manufactured homes (including mobile homes) and railroad tank cars are also 10-year property.

You do not treat a building, and its structural components, as 10-year property by reason of a change in use after you placed the property in service. For example, a building (15-year real property) that was placed in service in 1981 and was converted to a theme park structure in 1986 remains 15-year real property.

| Recovery Period | Percentage |
|---|------------|
| 1 st year | 8% |
| 2 nd year | 14% |
| 3 rd year | 12% |
| 4 th through 6 th year | 10% |
| 7 th through 10 th year | 9% |

If you used the percentages above, you cannot claim depreciation for this property after 1995.

Example. On April 21, 1986, you bought and placed in service a new mobile home for \$26,000 to be used as rental property. You paid \$10,000 cash and signed a note for \$16,000 giving you an unadjusted basis of \$26,000. On June 8, 1986, you bought and placed in service a used mobile home for use as rental property at a total cost of \$11,500. The total unadjusted basis of your 10-year recovery property placed in service in 1986 was \$37,500 (\$26,000 + \$11,500). Your ACRS deduction was \$3,000 (8% × \$37,500). In 1987, your ACRS deduction was \$5,250 (14% × \$37,500). In

1988, your ACRS deduction was \$4,500 ($12\% \times \$37,500$). In 1989, 1990, and 1991, your ACRS deduction was \$3,750 ($10\% \times \$37,500$). In 1992, 1993, 1994, and 1995 your deduction for each year is \$3,375 ($9\% \times \$37,500$).

15-Year Real Property

15-year real property is real property that is recovery property placed in service before March 16, 1984. It includes all real property, such as buildings, other than that designated as 5-year or 10-year property.

Unlike the 3, 5, or 10-year classes of property, the percentages for 15-year real property depend on when you placed the property in service during your tax year. You could group 15-year real property by month and year placed in service.

In Table 1, at the end of this publication in the Appendix, find the month in your tax year that you placed the property in service in your trade or business or for the production of income. You use the percentages listed under that month for each year of the recovery period to determine your depreciation deduction each year.

Example. On March 5, 1984, you placed an apartment building in service in your business. It is 15-year real property. After subtracting the value of the land, your unadjusted basis in the building is

\$250,000. You use the calendar year as your tax year. March is the third month of your tax year. Your ACRS deduction for 1984 was \$25,000 ($10\% \times \$250,000$). For 1985, the percentage for the third month of the second year of the recovery period is 11%. Your deduction was \$27,500 ($11\% \times \$250,000$). For the third, fourth, and fifth years of the recovery period (1986, 1987, and 1988), the percentages are 9%, 8%, and 7%. For 1989 through 1992, the percentage for the third month is 6%. Your deduction each year is \$15,000 ($6\% \times \$250,000$). For 1993, 1994, and 1995, the percentage for the third month is 5%. Your depreciation deduction is \$12,500 ($5\% \times \$250,000$) for 1993, 1994, and 1995.

Low-Income Housing

Low-income housing that was assigned a 15-year recovery period under ACRS includes the following types of property.

1. Federally assisted housing projects where the mortgage is insured under section 221(d)(3) or 236 of the National Housing Act, or housing financed or assisted by direct loan or tax abatement under similar provisions of state or local laws.

2. Low-income rental housing for which a depreciation deduction for rehabilitation expenditures is allowed.
3. Low-income rental housing held for occupancy by families or individuals eligible to receive subsidies under section 8 of the United States Housing Act of 1937, as amended, or under the provisions of state or local laws that authorize similar subsidies for low-income families.
4. Housing financed or assisted by direct loan or insured under Title V of the Housing Act of 1949.

The ACRS percentages for low-income housing real property, like the regular 15-year real property percentages, depend on when you placed the property in service. In Table 2 or 3 at the end of this publication in the Appendix, find the month in your tax year that you first placed the property in service as rental housing. Use the percentages listed under that month for each year of the recovery period. Table 2 shows percentages for low-income housing placed in service before May 9, 1985. Table 3 shows percentages for low-income housing placed in service after May 8, 1985, and before 1987.

Example. In May 1986, you acquired and placed in service a house that qualified as low-income rental housing under item (3) of the above listing. You use the calendar year as your tax year. You use Table 3 because the property was placed in service after May 8, 1985. Your unadjusted basis for the property, not including the land, was \$59,000.

Your deduction for 1986 through 2001 is shown in the following table.

| <u>Year</u> | <u>Rate</u> | <u>Deduction</u> |
|-------------|-------------|------------------|
| 1986 | 8.9% | \$5,251 |
| 1987 | 12.1% | 7,139 |
| 1988 | 10.5% | 6,195 |
| 1989 | 9.1% | 5,369 |
| 1990 | 7.9% | 4,661 |
| 1991 | 6.9% | 4,071 |
| 1992 | 5.9% | 3,481 |
| 1993 | 5.2% | 3,068 |
| 1994 | 4.6% | 2,714 |
| 1995 | 4.6% | 2,714 |
| 1996 | 4.6% | 2,714 |
| 1997 | 4.6% | 2,714 |
| 1998 | 4.6% | 2,714 |
| 1999 | 4.5% | 2,655 |
| 2000 | 4.5% | 2,655 |
| 2001 | 1.5% | 885 |

18-Year Real Property

| <u>Year</u> | <u>Rate</u> | <u>Deduction</u> |
|-------------|-------------|------------------|
| 1985 | 7.0% | \$6,650 |
| 1986 | 9.0% | 8,550 |
| 1987 | 8.0% | 7,600 |
| 1988 | 7.0% | 6,650 |
| 1989 | 7.0% | 6,650 |
| 1990 | 6.0% | 5,700 |
| 1991 | 5.0% | 4,750 |
| 1992 | 5.0% | 4,750 |
| 1993 | 5.0% | 4,750 |
| 1994 | 5.0% | 4,750 |
| 1995 | 5.0% | 4,750 |
| 1996 | 5.0% | 4,750 |
| 1997 | 5.0% | 4,750 |
| 1998 | 4.0% | 3,800 |
| 1999 | 4.0% | 3,800 |
| 2000 | 4.0% | 3,800 |
| 2001 | 4.0% | 3,800 |
| 2002 | 4.0% | 3,800 |
| 2003 | 1.0% | 950 |

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18-Year Real Property

18-year real property is real property that is recovery property placed in service after March 15, 1984, and before May 9, 1985. It includes real property, such as buildings, other than that designated as 5-year, 10-year, 15-year real property, or low-income housing.

The ACRS percentages for 18-year real property depends on when you placed the property in service in your trade or business or for the production of income during your tax year. There are also tables for 18-year real property in the Appendix. Table 4 shows the percentages for 18-year real property you placed in service after June 22, 1984, and before May 9, 1985. Table 5 is for 18-year real property placed in service after March 15, 1984, and before June 23, 1984.

Find the month in your tax year that you placed the property in service in a trade or business or for the production of income. Use the percentages listed under that month for each year of the recovery period.

Example. On April 28, 1985, you bought and placed in service a rental house. The house, not including the land, cost \$95,000. This is your unadjusted basis for the house. You use the calendar year as your tax

year. Because the house was placed in service after June 22, 1984, and before May 9, 1985, it is 18-year real property. You use Table 4 to figure your deduction for the house. April is the fourth month of your tax year. Your deduction for 1985 through 2003 is shown in the following table.

19-Year Real Property

19-year real property is real property that is recovery property placed in service after May 8, 1985, and before 1987. It includes all real property, other than that designated as 5-year, 10-year, 15-year, or 18-year real property, or low-income housing.

The ACRS percentages for 19-year real property depend on when you placed the property in service in a trade or business or for the production of income during your tax year. Table 6 shows the percentages for 19-year real property.

You find the month in your tax year that you placed the property in service. You use the percentages listed under that month for each year of the recovery period.

Recovery Periods

Each item of recovery property is assigned to a class of property. The classes of recovery property establish the recovery periods over which the

unadjusted basis of items in a class is recovered. The classes of property are:

- 3-Year property,
- 5-Year property,
- 10-Year property,
- 15-Year real property,
- Low-income housing,
- 18-Year real property, and
- 19-Year real property.

Alternate ACRS Method (Modified Straight Line Method)

ACRS provides an alternate ACRS method that could be elected. This alternate ACRS method uses a recovery percentage based on a modified straight-line method.

This alternate ACRS method generally uses percentages other than those from the tables. If you elected the alternate ACRS method, you determine the recovery period by using the following schedule. This schedule is for other than 18 and 19-year real property and low-income housing:

| In the case of | You could of have elected a period of |
|-----------------------|--|
| 3-year property | 3, 5, or 12 years |
| 5-year property | 5, 12, or 25 years |
| 10-year property | 10, 25, or 35 years |
| 15-year real property | 15, 35, or 45 years |

Percentages. The straight-line percentages for the alternate ACRS method are:

| Recovery Period | Percentages |
|-----------------|-------------|
| 5 years | 20.00% |
| 10 years | 10.00% |
| 12 years | 8.333% |
| 15 years | 6.667% |
| 25 years | 4.00% |
| 35 years | 2.857% |

You apply the percentage to the unadjusted basis (defined earlier) of the property to figure your ACRS deduction. There are tables for 18 and 19-year real property later in this publication in the Appendix. For 15-year real property, see 15-year real property, later.

3-, 5-, and 10-year property. If you elected to use an alternate recovery percentage, you have to use the same recovery percentage for all property in that class that you placed in service in that tax year. This applies throughout the recovery period you selected.

Half-year convention. If you elected the alternate method, only a half-year of depreciation was deducted for the year you placed the property in service. This applied regardless of when in the tax year you placed the property in service. For each of the remaining years in the recovery period, you take a full year's deduction. If you hold the property for the entire recovery period, a half-year of depreciation is allowable for the year following the end of the recovery period.

Example. You operate a small upholstery business. On March 19, 1986, you bought and placed in service a \$13,000 light duty panel truck to be used in your business and a \$500 electric saw. You elected to use the alternate ACRS method. You did not elect to take a section 179 deduction. You decided to recover the cost of the truck, which is 3-year recovery property,

over 5 years. The saw is 5-year property, but you decided to recover its cost over 12 years.

For 1986, your ACRS deduction reflected the half-year convention. In the first year, you deducted half of the amount determined for a full year. Your ACRS deduction for 1986 is as follows:

Light-duty truck

5 years straight line = 20%

$20\% \times \$13,000 = \$2,600$

Half-year convention - $\frac{1}{2}$ of \$2,600 = \$1,300.00

Electric saw

12 years straight line = 8.3333%

$8.3333\% \times \$500 = \41.67

Half-year convention - $\frac{1}{2}$ of \$41.67 = 20.84

Total ACRS deduction for 1986 \$1,320.84

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You take a full year of depreciation for both the truck and the saw for the years 1987 through 1990. Your ACRS deduction for each of those years is as follows:

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Light-duty truck

5 years straight line = 20%

$20\% \times \$13,000 = \$2,600$

Half-year convention - $\frac{1}{2}$ of \$2,600 = \$1,300.00

Electric saw

12 years straight line = 8.3333%

$8.3333\% \times \$500 =$ \$41.67

Total ACRS deduction for 1991 \$1,341.67

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In 1991, you take a half-year of depreciation for the truck and a full year of depreciation for the saw. Your ACRS deduction for 1991 is as follows:

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Light-duty truck

5 years straight line = 20%

$20\% \times \$13,000 = \$2,600$

Half-year convention - $\frac{1}{2}$ of \$2,600 = \$1,300.00

Electric saw

12 years straight line = 8.3333%

$8.333\% \times \$500 =$ \$41.67

Total ACRS deduction for 1991 \$1,341.67

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The truck is fully depreciated after 1991. You take a full year of depreciation for the saw for the years 1992 through 1997. Your ACRS deduction for each of those years is as follows:

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Electric saw

12 years straight line = 8.333%

8.333% × \$500 =

**Total annual ACRS deduction for
1992 through 1997**

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You take a half year of depreciation for the saw for 1998. Your ACRS deduction for 1998 is as follows:

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Electric saw

12 years straight line = 8.3333%

8.3333% × \$500 =

41.67

Half-year convention - $\frac{1}{2}$ of \$41.67 =

20.84

Total ACRS deduction for 1998

\$20.84

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15-year real property. Under ACRS, you could also elect to use the alternate ACRS method for 15-year real property. The alternate ACRS method allows you to depreciate your 15-year real property using the straight line ACRS method over the alternate recovery periods of 15, 35, or 45 years. If you selected a 15-year recovery period, you use the percentage (6.667%) from the schedule above. You prorate this percentage for the number of months the property was in service in the first year. If you selected a 35 or 45-year recovery period, you use either Table 11 or 15.

Alternate periods for 18-year real property. For 18-year real property, the alternate recovery periods are 18, 35, or 45 years. The percentages for 18-year real property under the alternate method are in Tables 7, 8, 10, 11, 14, and 15 in the Appendix. There are two tables for each alternate recovery period. One table shows the percentage for property placed in service after June 22, 1984. The other table has the percentages for property placed in service after March 15, 1984, and before June 23, 1984.

Alternate periods for 19-year real property. For 19-year real property, the alternate recovery periods are 19, 35, or 45 years. If you selected a 19-year recovery period, use Table 9 to determine your

deduction. If you select a 35 or 45-year recovery period, use either Table 13 or 14.

Example. You placed in service an apartment building on August 3, 1986. The building is 19-year real property. The sales contract allocated \$300,000 to the building and \$100,000 to the land. You use the calendar year as your tax year. You chose the alternate ACRS method over a recovery period of 35 years. For 1986, you figure your ACRS deduction using Table 13. August is the eighth month of your tax year. The percentage from Table 13 for the eighth month is 1.1%. Your deduction was \$3,300 ($\$300,000 \times 1.1\%$). The deduction rate from ACRS Table 13 for years 2 through 20 is 2.9% so that your deduction in 1987 through 2005 is \$8,700 ($\$300,000 \times 2.9\%$).

Alternate periods for low-income housing. For low-income housing, the alternate recovery periods are 15, 35, or 45 years. If you selected a 15-year period for this property, use 6.667% as the percentage. If you selected a 35 or 45-year period, use either Table 11, 12, or 15.

Election. You had to make the election to use the alternate ACRS method by the return due date (including extensions) for the tax year you placed the property in service.

Revocation of election. Your election to use an alternate ACRS method, once made, can be changed only with the consent of the Commissioner. The Commissioner grants consent only in extraordinary circumstances. Any request for a revocation will be considered a request for a ruling.

ACRS Deduction in Short Tax Year

For a tax year that is less than 12 months, the ACRS deduction is prorated on a 12-month basis. Figure the amount of the ACRS deduction for a short tax year as follows.

1. First, you figure the ACRS deduction for a full year. You figure this by multiplying the unadjusted basis by the recovery percentage.
2. You then multiply the ACRS deduction determined for a full tax year by a fraction.

The numerator (top number) of the fraction is the number of months in the short tax year and the denominator (bottom number) is 12. For example, a corporation placed in service in June 1986 an item of 3-year property with an unadjusted basis of \$10,000. The corporation files a tax return, because of a change in its accounting period, for the 6-month short tax year ending June 30, 1986. The full year's ACRS deduction for this item is \$2,500 ($\$10,000 \times 25\%$), the first year percentage from the 3-year table. The ACRS

deduction for the short tax year is \$1,250 ($\$2,500 \times 6/12$).

You use the full ACRS percentages during the remaining years of the recovery period. For the first tax year after the recovery period, the unrecovered basis will be deductible.

Exception. For the tax year in which you placed 15, 18, or 19-year real property in service or in the tax year you dispose of it, you compute the ACRS deduction for the number of months that the property is in service during that tax year. You compute the number of months using either a full month or mid-month convention. This is true regardless of the number of months in the tax year and the recovery period and method used.

Dispositions

A disposition is the permanent withdrawal of property from use in your trade or business or in the production of income. You can make a withdrawal by sale, exchange, retirement, abandonment, or destruction.

You generally recognize gain or loss on the disposition of an asset by sale. However, nonrecognition rules can allow you to postpone some gain. See Pub. 544.

If you physically abandon property, you can deduct as a loss the adjusted basis of the asset at the time of its abandonment. Your intent must be to discard the asset so that you will not use it again or retrieve it for sale, exchange, or other disposition.

Early dispositions. The disposal of an asset before the end of its specified recovery period is referred to as an early disposition. When an early disposition occurs, the depreciation deduction in the year of disposition depends on the class of property involved.

Early dispositions of ACRS property other than 15-, 18-, or 19-year real property.

Generally, you get no ACRS deduction for the tax year in which you dispose of or retire recovery property, except for 15, 18, and 19-year real property. This means there is no depreciation deduction under ACRS in the year you dispose of or retire any of your 3, 5, or 10-year recovery property.

Dispositions — mass asset accounts. The law provides a special rule to avoid the calculation of gain on the disposition of assets from mass asset accounts. A mass asset account includes items usually minor in value in relation to the group, numerous in quantity, impractical to separately identify, and not usually accounted for on a separate basis, but on a total dollar value. Examples of mass

assets include minor items of office, plant, and store furniture and fixtures.

Under the special rule, if you elected to use a mass asset account, you recognize gain to the extent of the proceeds from the disposition of the asset. You leave the unadjusted basis of the property in the account until recovered in future years. If you did this, include the total proceeds realized from the disposition in income on the tax return for the year of disposition.

Early dispositions — 15-year real property. If you dispose of 15-year real property, you base your ACRS deduction for the year of disposition on the number of months in use. You use a ***full-month convention***. For a disposition at any time during a particular month before the end of the recovery period, no deduction is allowed for the month of disposition. This applies whether you use the regular ACRS method or elected the alternate ACRS method.

Example. You purchased and placed in service a rental house on March 2, 1984, for \$98,000 (not including the cost of land). You file your return based on a calendar year. Your rate from Table 1 for the third month is 10%. Your ACRS deduction for 1984 was \$9,800 ($\$98,000 \times 10\%$). For 1985 through 1988, you figured your ACRS deductions using 11%, 9%, 8%, and 7% $\times \$98,000$. For 1989 through 1992, you figured your ACRS deductions using 6% for each

year. The deduction each year was $\$98,000 \times 6\%$. For 1993 and 1994, the ACRS deduction is $(\$98,000 \times 5\%)$ \$4,900 for each year. You sell the house on June 1, 1995.

You figure your ACRS deduction for 1995 for the full year and then prorate that amount for the months of use. The full ACRS deduction for 1995 is \$4,900 $(\$98,000 \times 5\%)$. You then prorate this amount to the 5 months in 1995 during which it was rented. Your ACRS deduction for 1995 is \$2,042 $(\$4,900 \times 5/12)$.

Early dispositions — 18- and 19-year real property. If you dispose of 18 or 19-year real property, you base your ACRS deduction for the year of disposition on the number of months in use. For 18-year property placed in service before June 23, 1984, use a full month convention on a disposition. For 18-year property placed in service after June 22, 1984, and for 19-year property, determine the number of months in use by using the midmonth convention. Under the ***mid-month convention***, treat real property disposed of any time during a month as disposed of in the middle of that month. Count the month of disposition as half a month of use.

Example. You purchased and placed in service a rental house on July 2, 1984, for \$100,000 (not including the cost of land). You file your return based

on a calendar year. Your rate from Table 4 for the seventh month is 4%. You figured your ACRS deduction for 1984 was \$4,000 ($\$100,000 \times 4\%$). In 1985 through 1994, your ACRS deductions were 9%, 8%, 8%, 7%, 6%, 6%, 5%, 5%, and $5\% \times \$100,000$. You sell the house on September 24, 1995. Figure your ACRS deduction for 1995 for the months of use. The full ACRS deduction for 1995 is \$5,000 ($\$100,000 \times 5\%$). Prorate this amount for the 8.5 months in 1995 that you held the property. Under the midmonth convention, you count September as half a month. Your ACRS deduction for 1995 is \$3,542 ($\$5,000 \times 8.5/12$).

Depreciation Recapture

If you dispose of property depreciated under ACRS that is section 1245 recovery property, you will generally recognize gain or loss. Gain recognized on a disposition is ordinary income to the extent of prior depreciation deductions taken. This recapture rule applies to all personal property in the 3-year, 5-year, and 10-year classes. You recapture gain on manufactured homes and theme park structures in the 10-year class as section 1245 property. Section 1245 property generally includes all personal property. See *Section 1245 property* in chapter 3 of Pub. 544 for more information.

\You treat dispositions of section 1250 real property on which you have a gain as section 1245 recovery property. You recognize gain on this property as ordinary income to the extent of prior depreciation deductions taken. Section 1250 property includes most real property. See *Section 1250 property* in chapter 3 of Pub. 544 for more information. This rule applies to all section 1250 real property except the following property.

1. Any 15, 18, or 19-year real property that is residential rental property.
2. Any 15, 18, or 19-year real property that you elected to depreciate using the alternate ACRS method.
3. Any 15, 18, or 19-year real property that is subsidized low-income housing.

For these recapture rules, you treat the section 179 deduction and 50% of the investment credit that reduced your basis as depreciation.

See Pub. 544 for further discussion of dispositions of section 1245 and 1250 property.

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Chapter 2.

Other Methods of Depreciation

Topics

This chapter discusses:

- How to figure the deduction
- Methods to use
- How to change methods
- Dispositions

Useful Items

You may want to see:

Publication

- **544** Sales and Other Dispositions of Assets
- **551** Basis of Assets
- **583** Starting a Business and Keeping Records
- **946** How To Depreciate Property

Form (and Instructions)

- **3115** Application for Change in Accounting Method

- **4562 Depreciation and Amortization**

- **Schedule C (Form 1040) Profit or Loss**
From Business

If your property is being depreciated under ACRS, you must continue to use rules for depreciation that applied when you placed the property in service. If your property qualified for MACRS, you must depreciate it under MACRS. See Pub. 946.

However, you cannot use MACRS for certain property because of special rules that exclude it from MACRS. Also, you can elect to exclude certain property from being depreciated under MACRS. Property that you cannot depreciate using MACRS includes:

1. Intangible property,
2. Property you can elect to exclude from MACRS that you properly depreciate under a method that is not based on a term of years,
3. Certain public utility property,
4. Any motion picture film or video tape,
5. Any sound recording, and
6. Certain real and personal property placed in service before 1987.

Intangible property. You cannot depreciate intangible property under ACRS or MACRS. You depreciate intangible property using any other reasonable method, usually, the straight-line method. **Note.** The cost of certain intangible property that you acquire after August 10, 1993, must be amortized over a 15-year period. For more information, see chapter 8 of Pub. 535.

Public utility property. The law excludes from MACRS any public utility property for which the taxpayer does not use a normalization method of accounting. This type of property is subject to depreciation under a special rule.

Videocassettes. If you are in the videocassette rental business, you can depreciate those videocassettes purchased for rental. You can depreciate the cost less salvage value of those videocassettes that have a useful life over one year using either:

- The straight-line method, or
- The income forecast method.

The straight-line method, salvage value, and useful life are discussed later under *Methods To Use*. You can deduct in the year of purchase as a business

expense the cost of any cassette that has a useful life of one year or less.

How To Figure the Deduction

Two other reasonable methods can be used to figure your deduction for property not covered under ACRS or MACRS. These methods are straight line and declining balance.

To figure depreciation using these methods, you must generally determine three things about the property you intend to depreciate. They are:

1. The basis,
2. The useful life, and
3. The estimated salvage value at the end of its useful life.

The amount of the deduction in any year also depends on which method of depreciation you choose.

Basis

To deduct the proper amount of depreciation each year, first determine your basis in the property you intend to depreciate. The basis used for figuring depreciation is the same as the basis that would be used for figuring the gain on a sale. Your original

The useful life of a piece of property is an estimate of how long you can expect to use it in your trade or business, or to produce income. It is the length of time over which you will make yearly depreciation deductions of your basis in the property. It is how long

Useful Life

Pub. 551 explains how to figure basis for property acquired in different ways. It also discusses what items increase and decrease basis, how to figure adjusted basis, and how to allocate cost if you buy several pieces of property at one time.

depreciation you are using.

on the reason for the adjustment and the method of deduction may also have to be changed, depending decrease basis. If basis is adjusted, the depreciation as deducting casualty losses and depreciation improvements you make, increase basis. Events such is called the adjusted basis. Some events, such as of property. When this occurs, the changed basis **Adjusted basis.** Events will often change the basis way.

basis is usually the purchase price. However, if you acquire property in some other way, such as inheriting it, getting it as a gift, or building it yourself, you have to figure your original basis in a different

it will continue to be useful to you, not how long the property will last.

Many things affect the useful life of property, such as:

1. Frequency of use,
2. Age when acquired,
3. Your repair policy, and
4. Environmental conditions.

The useful life can also be affected by technological improvements, progress in the arts, reasonably foreseeable economic changes, shifting of business centers, prohibitory laws, and other causes. Consider all these factors before you arrive at a useful life for your property.

The useful life of the same type of property varies from user to user. When you determine the useful life of your property, keep in mind your own experience with similar property. You can use the general experience of the industry you are in until you are able to determine a useful life of your property from your own experience.

Change in useful life. You base your estimate of useful life on certain facts. If these facts change significantly, you can adjust your estimate of the remaining useful life. However, you redetermine the

estimated useful life only when the change is substantial and there is a clear reason for making the change.

Salvage Value

It is important for you to accurately determine the correct salvage value of the property you want to depreciate. You generally cannot depreciate property below a reasonable salvage value.

Determining salvage value. Salvage value is the

estimated value of property at the end of its useful life. It is what you expect to get for the property if you sell it after you can no longer use it productively. You must estimate the salvage value of a piece of property when you first acquire it.

Salvage value is affected both by how you use the property and how long you use it. If it is your policy to dispose of property that is still in good operating condition, the salvage value can be relatively large. However, if your policy is to use property until it is no longer usable, its salvage value can be its junk value.

Changing salvage value. Once you determine the

salvage value for property, you should not change it merely because prices have changed. However, if you redetermine the useful life of property, as discussed earlier under *Change in useful life*, you can also redetermine the salvage value. When you

Two methods of depreciation are the straight line and declining balance methods. If ACRS or MACRS does not apply, you can use one of these methods. The straight line and declining balance methods discussed in this section are not figured in the same way as

Methods To Use

10% rule. If you acquire personal property that has a useful life of 3 years or more, you can use an amount for salvage value that is less than your actual estimate. You can subtract from your estimate of salvage value an amount equal to 10% of your basis in the property. If salvage value is less than 10% of basis, you can ignore salvage value when you figure depreciation.

Net salvage. Net salvage is the salvage value of property minus what it costs to remove it when you dispose of it. You can choose either salvage value or net salvage when you figure depreciation. You must consistently use the one you choose and the treatment of the costs of removal must be consistent with the practice adopted. However, if the cost to remove the property is more than the estimated salvage value, then net salvage is zero. Your salvage value can never be less than zero.

redetermine the salvage value, take into account the facts that exist at the time.

straight line or declining balance methods under MACRS.

Straight Line Method

Before 1981, you could use any reasonable method for every kind of depreciable property. One of these methods was the straight-line method. This method was also used for intangible property. It lets you deduct the same amount of depreciation each year.

To figure your deduction, determine the adjusted basis of your property, its salvage value, and its estimated useful life. Subtract the salvage value, if any, from the adjusted basis. The balance is the total amount of depreciation you can take over the useful life of the property.

Divide the balance by the number of years remaining in the useful life. This gives you the amount of your yearly depreciation deduction. Unless there is a big change in adjusted basis, or useful life, this amount will stay the same throughout the time you depreciate the property. If, in the first year, you use the property for less than a full year, you must prorate your depreciation deduction for the number of months in

use.

Example. In April 1994, Frank bought a franchise for \$5,600. It expires in 10 years. This property is intangible property that cannot be depreciated under

MACRS. Frank depreciates the franchise under the straight-line method, using a 10-year useful life and no salvage value. He takes the \$5,600 basis and divides that amount by 10 years ($\$5,600 \div 10 = \560 , a full year's use). He must prorate the \$560 for his 9 months of use in 1994. This gives him a deduction of \$420 ($\$560 \times 9/12$). In 1995, Frank can deduct \$560 for the full year.

Declining Balance Method

The declining balance method allows you to recover a larger amount of the cost of the property in the early years of your use of the property. The rate cannot be more than twice the straight-line rate.

Rate of depreciation. Under this method, you must determine your declining balance rate of depreciation. The initial step is to:

1. Divide the number 1 by the useful life of your property to get a straight-line rate. (For example, if property has a useful life of 5 years, its normal straight-line rate of depreciation is $1/5$, or 20%.)
2. Multiply this straight-line rate by a number that is more than 1 but not more than 2 to determine the declining balance rate.

Unless there is a change in the useful life during the time you depreciate the property, the rate of depreciation generally will not change.

Depreciation deductions. After you determine the rate of depreciation, multiply the adjusted basis of the property by it. This gives you the amount of your deduction. For example, if your adjusted basis at the beginning of the first year is \$10,000, and your declining balance rate is 20%, your depreciation deduction for the first year is \$2,000 ($\$10,000 \times 20\%$). To figure your depreciation deduction in the second year, you must first adjust the basis for the amount of depreciation you deducted in the first year. Subtract the previous year's depreciation from your basis ($\$10,000 - \$2,000 = \$8,000$). Multiply this amount by the rate of depreciation ($\$8,000 \times 20\% = \$1,600$). Your depreciation deduction for the second year is \$1,600.

As you can see from this example, your adjusted basis in the property gets smaller each year. Also, under this method, deductions are larger in the earlier years and smaller in the later years. You can make a change to the straight-line method without consent.

Salvage value. Do not subtract salvage value when you figure your yearly depreciation deductions under the declining balance method. However, you cannot depreciate the property below its reasonable salvage

value. Determine salvage value using the rules discussed earlier, including the special 10% rule.

Example. If your adjusted basis has been decreased to \$1,000 and the rate of depreciation is 20%, your depreciation deduction should be \$200. But if your estimate of salvage value was \$900, you can only deduct \$100. This is because \$100 is the amount that would lower your adjusted basis to equal salvage value.

Income Forecast Method

The income forecast method requires income projections for each videocassette or group of videocassettes. You can group the videocassettes by title for making this projection. You determine the depreciation by applying a fraction to the cost less salvage value of the cassette. The numerator is the income from the videocassette for the tax year and the denominator is the total projected income for the cassette. For more information on the income forecast method, see Revenue Ruling 60358 in Cumulative Bulletin 1960, Volume 2, on page 68.

How To Change Methods

In some cases, you may change your method of depreciation for property depreciated under a reasonable method. If you change your method of depreciation, it is generally a change in your method

of accounting. You must get IRS consent before making the change. However, you do not need permission for certain changes in your method of depreciation. The rules discussed in this section do not apply to property depreciated under ACRS or MACRS.

For information on ACRS elections, see Revocation of election in chapter 1 under Alternate ACRS

Method.

Change to the straight-line method. You can change from the declining balance method to the straight-line method at any time during the useful life of your property without IRS consent. However, if you have a written agreement with the IRS that prohibits a change, you must first get IRS permission. When the change is made, figure depreciation based on your adjusted basis in the property at that time. Your adjusted basis takes into account all previous depreciation deductions. Use the estimated remaining useful life of your property at the time of change and its estimated salvage value.

You can change from the declining balance method to straight line only on the original tax return for the year you first use the straight-line method. You cannot make the change on an amended return filed after the due date of the original return (including extensions).

When you make the change, attach a statement to your tax return showing:

1. When you acquired the property,
2. Its original cost or other original basis,
3. The total amount claimed for depreciation and other allowances since you acquired it,
4. Its salvage value and remaining useful life, and
5. A description of the property and its use.

After you change to straight line, you cannot change back to the declining balance method or to any other method for a period of 10 years without written permission from the IRS.

Changes that require permission. For most

other changes in method of depreciation, you must get permission from the IRS. To request a change in method of depreciation, file Form 3115. File the application within the first 180 days of the tax year the change is to become effective. See the Instructions for Form 3115 for more information.

Changes granted automatically. The IRS

automatically approves certain changes of a method of depreciation. But, you must file Form 3115 for these automatic changes.

However, the IRS can deny permission if Form 3115 is not filed on time. For more information on automatic changes, see the Instructions for Form 3115.

Changes for which approval is not automatic. The automatic change procedures do not apply to:

1. Property or an account where you made a change in depreciation within the last 10 tax years (unless the change was made under the Class Life System),
2. Class Life Asset Depreciation Range System, and
3. Public utility property.

You must request and receive permission for these changes. To make the request, file Form 3115 during the first 180 days of the tax year for which you want the change to be effective.

Change from an improper method. If the IRS disallows the method you are using, you do not need permission to change to a proper method. You can adopt the straight-line method, or any other method that would have been permitted if you had used it from the beginning. If you file your tax return using an improper method, but later file an amended return, you can use a proper method on the amended return

without getting IRS permission. However, you must file the amended return before the filing date for the next tax year.

Dispositions

Retirement is the permanent withdrawal of depreciable property from use in your trade or business or for the production of income. You can do this by selling, exchanging, or abandoning the item of property. You can also withdraw it from use without disposing of it. For example, you could place it in a supplies or scrap account. Retirements can be either normal or abnormal depending on all facts and circumstances. The rules discussed next do not apply to MACRS and ACRS property.

Normal retirement. A normal retirement is a permanent withdrawal of depreciable property from use if the following apply.

1. The retirement is made within the useful life you estimated originally.

2. The property has reached a condition at which you customarily retire or would retire similar property from use.

A retirement is generally considered normal unless you can show that you retired the property

Abnormal retirement. A retirement can be abnormal if you withdraw the property early or under other circumstances. For example, if the property is damaged by a fire or suddenly becomes obsolete and is now useless.

Gain or loss on retirement. There are special rules for figuring the gain or loss on retirement of property. The gain or loss will depend on several factors. These include the type of withdrawal, if the withdrawal was from a single property or multiple property account, and if the retirement was normal or abnormal. A single property account contains only one item of property. A multiple property account is one in which several items have been combined with a single rate of depreciation assigned to the entire account.

Sale or exchange. If property is retired by sale or exchange, you figure gain or loss by the usual rules that apply to sales or other dispositions of property. See Pub. 544.

Property not disposed of or abandoned. If property is retired permanently, but not disposed of or physically abandoned, you do not recognize gain. You are allowed a loss in such a case, but only if the retirement is:

1. An abnormal retirement,

2. A normal retirement from a single property account in which you determined the life of each item of property separately, or

3. A normal retirement from a multiple property account in which the depreciation rate is based on the maximum expected life of the longest lived item of property and the loss occurs before the expiration of the full useful life. However, you are not allowed a loss if the depreciation rate is based on the average useful life of the items of property in the account.

To figure your loss, subtract the estimated salvage or fair market value of the property at the date of retirement, whichever is more, from its adjusted basis.

Special rule for normal retirements from item

accounts. You can generally deduct losses upon retirement of a few depreciable items of property with similar useful lives, if:

1. You account for each one in a separate account, and

2. You use the average useful life to figure depreciation.

Multiple property account. For a normal retirement from a multiple property account, if you figured depreciation using the average expected useful life, the adjusted basis is the salvage value estimated for the item of property when it was originally acquired. If

Single item accounts. If an item of property is accounted for in a single item account, the adjusted basis is the basis you would use to figure gain or loss for a sale or exchange of the property. This is generally the cost or other basis of the item of property less depreciation. See Pub. 551.

Basis of property retired. The basis for figuring gain or loss on the retirement of property is its adjusted basis at the time of retirement, as determined in the following discussions.

Abandoned property. If you physically abandon property, you can deduct as a loss the adjusted basis of the property at the time of its abandonment. However, your intent must be to

If you have a large number of depreciable property items and use average useful lives to figure depreciation, you cannot deduct the losses upon normal retirements from these accounts. However, you cannot deduct losses if you use the average useful life to figure depreciation and they have a wide range of useful lives.

- Listed property defined
- The predominant use test
- What records must be kept

This chapter discusses:

Topics

Listed Property

Chapter 3.

you figured depreciation using the maximum expected useful life of the longest lived item of property in the account, you must use the depreciation method used for the multiple property account and a rate based on the maximum expected useful life of the item of property retired. You make the adjustment for depreciation for an abnormal retirement from a multiple property account at the rate that would be proper if the item of property was depreciated in a single property account. The method of depreciation used for the multiple property account is used. You base the rate on either the average expected useful life or the maximum expected useful life of the retired item of property, depending on the method used to determine the depreciation rate for the multiple property account.

Useful Items

You may want to see: **Publication**

- **463** Travel, Entertainment, Gift, and Car Expenses
 - **587** Business Use of Your Home
 - **946** How To Depreciate Property
- Form (and Instructions)**

- **2106EZ** Unreimbursed Employee Business Expenses
- **2106** Employee Business Expenses
- **4255** Recapture of Investment Credit
- **4562** Depreciation and Amortization

This chapter discusses some special rules and recordkeeping requirements for listed property. For complete coverage of the rules, including the rules concerning passenger automobiles, see Pub. 946. If listed property is not used predominantly (more than 50%) in a qualified business use as discussed in *Predominant Use Test*, later, the section 179 deduction is not allowable and the property must be depreciated using the straight line method.

Listed Property Defined

Listed property is any of the following.

1. Any passenger automobile (defined later).
2. Any other property used for transportation.
3. Any property of a type generally used for entertainment, recreation, or amusement (including photographic, phonographic, communication, and video recording equipment).
4. Any computer and related peripheral equipment, defined later, **unless** it is used only at a regular business establishment and owned or leased by the person operating the establishment. A regular business establishment includes a portion of a dwelling unit (defined later), if, and only if, that portion is used both regularly and exclusively for business as discussed in Pub. 587.

Passenger Automobile Defined

A passenger automobile is any four wheeled vehicle made primarily for use on public streets, roads, and highways and rated at 6,000 pounds or less of unloaded gross vehicle weight (at 6,000 pounds or less of gross vehicle weight for trucks and vans). It

includes any part, component, or other item physically

1. Any vehicle which, by reason of its design, is not likely to be used more than a minimal amount for personal purposes, such as clearly marked police and fire vehicles,

Listed property does not include:

Other property used for transportation includes trucks, buses, boats, airplanes, motorcycles, and any other vehicles for transporting persons or goods.

Other Property Used for Transportation

A dwelling unit is a house or apartment used to provide living accommodations in a building or structure. It does not include a unit in a hotel, motel, inn, or other establishment where more than half the units are used on a transient basis.

Dwelling Unit

1. An ambulance, hearse, or combination ambulance used directly in a trade or business; and
2. A vehicle used directly in the trade or business of transporting persons or property for compensation or hire.

A passenger automobile does not include:

attached to the automobile or usually included in the purchase price of an automobile.

2. Any vehicle that is designed to carry cargo and that has a loaded gross vehicle weight over 14,000 pounds, bucket trucks (cherry pickers), cement mixers, combines, cranes and derricks, delivery trucks with seating only for the driver (or only for the driver plus a folding jump seat), dump trucks (including garbage trucks), flatbed trucks, forklifts, qualified moving vans, qualified specialized utility repair trucks, and refrigerated trucks;
3. Any passenger bus used for that purpose with a capacity of at least 20 passengers and school buses;
4. Any tractor or other special purpose farm vehicle, and unmarked vehicles used by law enforcement officers if the use is officially authorized; and
5. Any vehicle, such as a taxicab, if substantially all its use is in the trade or business of providing services to transport persons or property for compensation or hire by unrelated persons.

Computers and Related Peripheral Equipment

A computer is a programmable electronically activated device that:

1. Is capable of accepting information, applying prescribed processes to the information, and supplying the results of those processes with or without human intervention; and
2. Consists of a central processing unit with extensive storage, logic, arithmetic, and control capabilities.

Related peripheral equipment is any auxiliary machine which is designed to be controlled by the central processing unit of a computer.

Computer or peripheral equipment does not include:

1. Any equipment which is an integral part of property which is not a computer;
2. Typewriters, calculators, adding and accounting machines, copiers, duplicating equipment, and similar equipment; and
3. Equipment of a kind, used primarily for the user's amusement or entertainment, such as video games.

Predominant Use Test

If "listed property," defined earlier, placed in service after June 18, 1984, is not used predominantly (more than 50%) in a qualified business use during any tax year:

- The section 179 deduction on the property is not allowable, and
- You must depreciate the property using the straight-line method.

Listed property placed in service before 1987. For listed property placed in service before 1987, depreciate the property over the following period:

Listed property placed in service after 1986.
For information on listed property placed in service after 1986, see Pub. 946.

If you must use the above recovery periods for listed property not used predominantly in a trade or business, use the percentages from Table 16 titled *Listed Property Not Used Predominantly (Other Than 18- or 19-Year Real Property)*, and Table 17 for 18 or 19-year real property, near the end of this publication in the Appendix.

| | |
|-------------------|---------------------------------|
| Class of Property | Listed Property Recovery period |
| 3-year property | 5 years |
| 5-year property | 12 years |
| 10-year property | 25 years |
| 18-year property | 40 years |
| 19-year property | 40 years |

Meeting the Predominant Use Test

Listed property meets the predominant use test for any tax year if its business use is more than 50% of its total use. You must allocate the use of any item of listed property used for more than one purpose during the tax year among its various uses. The percentage of investment use of listed property cannot be used as part of the percentage of qualified business use to meet the predominant use test. However, the combined total of business and investment use is taken into account to figure your depreciation deduction for the property.

Note. Property does not stop being predominantly used in a qualified business use because of a transfer at death.

Example. Sarah Bradley uses a home computer 50% of the time to manage her investments. She also uses the computer 40% of the time in her part time consumer research business. Sarah's home computer is listed property because it is not used at a regular business establishment. Because her business use of the computer does not exceed 50%, the computer is not predominantly used in a qualified business use for the tax year. Because she does not meet the predominant use test, she cannot elect a section 179 deduction for this property. Her

combined rate of business/ investment use for determining her depreciation deduction is 90%.

Qualified Business Use

A qualified business use is any use in your trade or business. However, it does not include:

1. The use of property held merely to produce income (investment use),
2. The leasing of property to any **5% owner or related person** (to the point that the property is used by a 5% owner or person related to the owner or lessee of the property),
3. The use of property as compensation for the performance of services by a **5% owner or related person**, or
4. The use of property as compensation for the performance of services by any person (other than a **5% owner or related person**) unless the value of the use is included in that person's gross income for the use of the property and income tax is withheld on that amount where required. See *Employees*, later.

5% owner. A 5% owner of a business, other than a corporation, is any person who owns more than 5% of the capital or profits interest in the business.

A 5% owner of a corporation is any person who owns, or is considered to own:

- More than 5% of the outstanding stock of the corporation, or
- Stock possessing more than 5% of the total combined voting power of all stock in the corporation.

Related person. A related person is anyone related to a taxpayer as discussed under *Related persons* in chapter 1 in Pub. 946.

Entertainment Use

The use of listed property for entertainment, recreation, or amusement purposes is treated as a qualified business use only to the extent that expenses (other than interest and property tax expenses) for its use are deductible as ordinary and necessary business expenses. See Pub. 463.

Leasing or Compensatory Use of Aircraft

If at least 25% of the total use of any aircraft during the tax year is for a qualified business use, the leasing or compensatory use of the aircraft by a 5% owner or related person is treated as a qualified business use.

Commuting

The use of a vehicle for commuting is not business use, regardless of whether work is performed during the trip.

Use of Your Passenger Automobile by Another Person

If someone else uses your automobile, that use is not business use unless:

1. That use is directly connected with your business,
2. The value of the use is properly reported by you as income to the other person and tax is withheld on the income where required, or
3. The value of the use results in a payment of fair market rent.

Any payment to you for the use of the automobile is treated as a rent payment for purposes of item (3).

Employees

Any use by an employee of his or her own listed property (or listed property rented by an employee) in performing services as an employee is not business use unless:

Example 1. Virginia Sycamore is employed as a courier with We Deliver which provides local courier services. She owns and uses a motorcycle to deliver packages to downtown offices. We Deliver explicitly requires all delivery persons to own a small car or

Use required as a condition of employment. Whether the use of listed property is a condition of employment depends on all the facts and circumstances. The use of property must be required for the employee to perform duties properly. The employee need not explicitly require the employer to use the property. A mere statement by the employer that the use of the property is a condition of employment is not sufficient.

Use for the employer's convenience. Whether the use of listed property is for the employer's convenience must be determined from all the facts. The use is for the employer's convenience if it is for a substantial business reason of the employer. The use of listed property during the employee's regular working hours to carry on the employer's business is generally for the employer's convenience.

- The use is required as a condition of employment.
- The use is for the employer's convenience, and

For passenger automobiles and other means of transportation, allocate the property's use on the basis of mileage. You determine the percentage of qualified business use by dividing the number of miles the vehicle is driven for business purposes during the year by the total number of miles the vehicle is driven for all purposes (including business miles) during the year.

For other items of listed property, allocate the property's use on the basis of the most appropriate unit of time. For example, you can determine the percentage of business use of a computer by dividing

Method of Allocating Use

Example 2. Bill Nelson is an inspector for Uplift, a construction company with many sites in the local area. He must travel to these sites on a regular basis. Uplift does not furnish an automobile or explicitly require him to use his own automobile. However, it reimburses him for any costs he incurs in traveling to the various sites. The use of his own automobile or a rental automobile is for the convenience of Uplift and is required as a condition of employment.

motorcycle for use in their employment. The company reimburses delivery persons for their costs. Virginia's use of the motorcycle is for the convenience of We Deliver and is required as a condition of employment.

If you use listed property predominantly (more than 50%) in a qualified business use in the tax year you

Years After the First Recovery Year

Note. The required use of the straight-line method for an item of listed property that does not meet the predominant use test is not the same as electing the straight-line method. It does not mean that you have to use the straight-line method for other property in the same class as the item of listed property.

1. The property is not eligible for a section 179 deduction, and
2. The depreciation deduction must be figured using the straight-line method.

If any item of listed property is not used predominantly in a qualified business use in the year it is placed in service:

First Recovery Year

You must apply the predominant use test for an item of listed property each year of the recovery period.

Applying the Predominant Use Test

the number of hours the computer is used for business purposes during the year by the total number of hours the computer is used for all purposes (including business hours) during the year.

place it in service, but not in a subsequent tax year during the recovery period, the following rules apply.

1. Figure depreciation using the straight-line method. Do this for each year, beginning with the year you no longer use the property predominantly in a qualified business use.
2. Figure any excess depreciation on the property and add it to:

a. Your gross income, and

b. The adjusted basis of your property. See *Recapture of excess depreciation* next.

Recapture of excess depreciation. You

must include any excess depreciation in your gross income for the first tax year the property is not predominantly used in a qualified business use. Any excess depreciation must also be added to the adjusted basis of your property. Excess depreciation is the excess (if any) of:

1. The amount of depreciation allowable for the property (including any section 179 deduction claimed) for tax years before the first tax year the property was not predominantly used in a qualified business use, over
2. The amount of depreciation that would have been allowable for those years if the property

The limitations on cost recovery deductions apply to the rental of listed property. The following discussion covers the rules that apply to the lessor (the owner of

Leased Property

When listed property (other than passenger automobiles) is used for business, investment, and personal purposes, no deduction is ever allowable for the personal use. In tax years after the recovery period, you must determine if there is any unrecovered basis remaining before you compute the depreciation deduction for that tax year. To make this determination, figure the depreciation for earlier tax years as if your property were used 100% for business or investment purposes, beginning with the first tax year in which some or all use is for business or investment. See *Car Used 50% or Less for Business* in chapter 4 of Pub. 463.

Deductions After Recovery Period

For information on investment credit recapture, see the instructions for Form 4255.

were not used predominantly in a qualified business use for the year it was placed in service. This means you figure your depreciation using the percentages from Table 16 or 17.

the property) and the lessee (the person who rents the property from the owner). See *Leasing a Car* in chapter 4 of Pub. 463 for a discussion of leased passenger automobiles.

Lessor

The limitations on cost recovery generally do not apply to any listed property leased or held for leasing by anyone regularly engaged in the business of leasing listed property.

A person is considered ***regularly engaged in the***

business of leasing listed property only if contracts

for leasing of listed property are entered into with

some frequency over a continuous period of time.

This determination is made on the basis of the facts

and circumstances in each case and takes into

account the nature of the person's business in its

entirety. Occasional or incidental leasing activity is

insufficient. For example, a person leasing only one

passenger automobile during a tax year is not

regularly engaged in the business of leasing

automobiles. An employer who allows an employee to

use the employer's property for personal purposes

and charges the employee for the use is not regularly

engaged in the business of leasing the property used

by the employee.

Lessee

A lessee of listed property (other than passenger automobiles) must include an amount in gross income called the inclusion amount for the first tax year the property is not used predominantly in a qualified business use.

Inclusion amount for property leased before

1987. You determine the inclusion amount for property leased after June 18, 1984, and before 1987 by multiplying the fair market value of the property by both the average business/investment use percentage and the applicable percentage. You can find the applicable percentages for listed property that is 5 or 10-year recovery property in Table 19 or 20 in the Appendix.

The ***lease term*** for listed property other than 18 or 19-year real property, and residential rental or nonresidential real property, includes options to renew. For 18 or 19-year real property and residential rental or nonresidential real property that is listed property, the period of the lease does not include any option to renew at fair market value, determined at the time of renewal. You treat two or more successive leases that are part of the same transaction (or a series of related transactions) for the same or substantially similar property as one lease.

You cannot take any depreciation or section 179 deduction for the use of listed property (including

What Records Must Be Kept

Maximum inclusion amount. The inclusion amount cannot be more than the sum of the deductible amounts of rent allocable to the lessee's tax year in which the amount must be included in gross income.

The lessee determines the inclusion amount by taking into account the average of the business/ investment use for both tax years and the applicable percentage for the tax year the lease term begins. If the lease term is less than one year, the amount included in gross income is the amount that bears the same ratio to the additional inclusion amount as the number of days in the lease term bears to 365.

- Special rules.** The lessee adds the inclusion amount to gross income in the next tax year if:
- The lease term begins within 9 months before the close of the lessee's tax year,
 - The lessee does not use the property predominantly in a qualified business use during that portion of the tax year, and
 - The lease term continues into the lessee's next tax year.

1. The amount of each separate expenditure, such as the cost of acquiring the item, maintenance and repair costs, capital improvement costs, lease payments, and any other expenses;

support:

The records or other documentary evidence must

Elements of Expenditure or Use

To meet the adequate records requirement, you must maintain an account book, diary, log, statement of expense, trip sheet, or similar record or other documentary evidence that, together with the receipt, is sufficient to establish each element of an expenditure or use. It is not necessary to record information in an account book, diary, or similar record if the information is already shown on the receipt. However, your records should back up your receipts in an orderly manner.

Adequate Records

How long to keep records. For listed property, records must be kept for as long as any excess depreciation can be recaptured (included in income).
passenger automobiles) unless you can prove business/investment use with adequate records or sufficient evidence to support your own statements.

2. The amount of each business and investment use (based on an appropriate measure, such as mileage for vehicles and time for other listed property), and the total use of the property for the tax year;
3. The date of the expenditure or use; and
4. The business or investment purpose for the expenditure or use.

Written documents of your expenditure or use are generally better evidence than oral statements alone. A written record prepared at or near the time of the expenditure or use has greater value as proof of the expenditure or use. A daily log is not required. However, some type of record containing the elements of an expenditure or the business or investment use of listed property made at or near the time and backed up by other documents is preferable to a statement prepared later.

Timeliness

The elements of an expenditure or use must be recorded at the time you have full knowledge of the elements. An expense account statement made from an account book, diary, or similar record prepared or maintained at or near the time of the expenditure or use is generally considered a timely record if in the regular course of business:

An adequate record contains enough information on each element of every business or investment use. The amount of detail required to support the use

Business Use Supported

An adequate record of business purpose must generally be in the form of a written statement. However, the amount of backup necessary to establish a business purpose depends on the facts and circumstances of each case. A written explanation of the business purpose will not be required if the purpose can be determined from the surrounding facts and circumstances. For example, a salesperson visiting customers on an established sales route will not normally need a written explanation of the business purpose of his or her travel.

Business Purpose Supported

For example, a log maintained on a weekly basis, which accounts for use during the week, will be considered a record made at or near the time of use.

1. The statement is submitted by an employee to the employer, or
2. The statement is submitted by an independent contractor to the client or customer.

depends on the facts and circumstances. For example, a taxpayer whose only business use of a truck is to make customer deliveries on an established route can satisfy the requirement by recording the length of the route, including the total number of miles driven during the tax year and the date of each trip at or near the time of the trips. Although an adequate record generally must be written, a record of the business use of listed property, such as a computer or automobile, can be prepared in a computer memory device using a logging program.

Separate or Combined Expenditures or Uses

Each use by you is normally considered a separate use. However, repeated uses can be combined as a single item. Each expenditure is recorded as a separate item and not combined with other expenditures. If you choose, however, amounts spent for the use of listed property during a tax year, such as for gasoline or automobile repairs, can be combined. If these expenses are combined, you do not need to support the business purpose of each expense. Instead, you can divide the expenses based on the total business use of the listed property.

If you have not fully supported a particular element of an expenditure or use, but have complied with the adequate records requirement for the expenditure or use to the district director's satisfaction, you can

Substantial Compliance

If any of the information on the elements of an expenditure or use is confidential, it does not need to be in the account book or similar record if it is recorded at or near the time of the expenditure or use. It must be kept elsewhere and made available as support to the district director on request.

Confidential Information

Uses which can be considered part of a single use, such as a round trip or uninterrupted business use, can be accounted for by a single record. For example, use of a truck to make deliveries at several locations which begin and end at the business premises and can include a stop at the business in between deliveries can be accounted for by a single record of miles driven. Use of a passenger automobile by a salesperson for a business trip away from home over a period of time can be accounted for by a single record of miles traveled. Minimal personal use (such as a stop for lunch between two business stops) is not an interruption of business use.

You can maintain an adequate record for portions of a tax year and use that record to support your business and investment use for the entire tax year if it can be shown by other evidence that the periods for which an

Sampling

If the element is the cost or amount, time, place, or date of an expenditure or use, its supporting evidence must be direct, such as oral testimony by witnesses or a written statement setting forth detailed information about the element or the documentary evidence. If the element is the business purpose of an expenditure, its supporting evidence can be circumstantial evidence.

2. By other evidence sufficient to establish the element.

1. By your own oral or written statement containing detailed information as to the element, and

establish this element by any evidence the district director deems adequate.

If you fail to establish that you have substantially complied with the adequate records requirement for an element of an expenditure or use to the district director's satisfaction, you must establish the element:

adequate record is maintained are representative of use throughout the year.

Loss of Records

When you establish that failure to produce adequate records is due to loss of the records through circumstances beyond your control, such as through fire, flood, earthquake, or other casualty, you have the right to support a deduction by reasonable reconstruction of your expenditures and use.

Reporting Information on Form 4562

If you claim a deduction for any listed property, you must provide the requested information on page 2 of Form 4562. If you claim a deduction for any vehicle, you must answer certain questions on page 2 of Form 4562 to provide information about the vehicle use.

Employees. Employees claiming the standard mileage rate or actual expenses (including depreciation) must use Form 2106 instead of Part V of Form 4562. Employees claiming the standard mileage rate may be able to use Form 2106EZ.

Employer who provides vehicles to employees. An employer who provides vehicles to employees must obtain enough information from those employees to provide the requested information on Form 4562.

When listed property is used for business, investment, and personal purposes, no deduction is allowable for its personal use either in the current year or any later tax year. In later years, you must determine if there is any remaining unadjusted or unrecovered basis before you compute the depreciation deduction for that tax year. In making this determination, figure the depreciation deductions for earlier tax years as if the listed property were used

Deductions in Later Years

See the instructions for Form 4562.

1. You can satisfy the requirements of a written policy statement for vehicles either not used for personal purposes, or not used for personal purposes other than commuting; or
2. You treat all vehicle use by employees as personal use.

You do not need to provide the information requested on page 2 of Form 4562 if, as an employer:

1. An employer who provides more than five vehicles to employees need not include any information on his or her tax return. Instead, the employer must obtain the information from his or her employees and indicate on his or her return that the information was obtained and is being retained.

100% for business or investment purposes in those years, beginning with the first tax year in which some or all of the property use is for business or investment.

For more information about deductions after the recovery period for automobiles, see Pub. 463.

How To Get Tax Help

If you have questions about a tax issue, need help preparing your tax return, or want to download free publications, forms, or instructions, go to [IRS.gov](https://www.irs.gov) and find resources that can help you right away.

Preparing and filing your tax return. Find free

options to prepare and file your return on [IRS.gov](https://www.irs.gov) or in your local community if you qualify.

The Volunteer Income Tax Assistance (VITA) program offers free tax help to people who generally make \$54,000 or less, persons with disabilities, the elderly, and limited English speaking taxpayers who need help preparing their own tax returns. The Tax Counseling for the Elderly (TCE) program offers free tax help for all taxpayers, particularly those who are 60 years of age and older. TCE volunteers specialize in answering questions about pensions and retirement-related issues unique to seniors.

You can go to [IRS.gov](https://www.irs.gov) and click on the Filing tab to see your options for preparing and filing your return which include the following.

- **Free File.** Go to [IRS.gov/efile](https://www.irs.gov/efile). See if you qualify to use brandname software to prepare and e-file your federal tax return for free.
- **VITA.** Go to [IRS.gov/vita](https://www.irs.gov/vita), download the free IRS2Go app, or call 1-800-906-9887 to find the nearest VITA location for free tax preparation.
- **TCE.** Go to [IRS.gov/tce](https://www.irs.gov/tce), download the free IRS2Go app, or call 1-888-227-7669 to find the nearest TCE location for free tax preparation.



Getting answers to your tax law questions. On [IRS.gov](https://www.irs.gov) get answers to your tax questions anytime, anywhere.

- Go to [IRS.gov/help](https://www.irs.gov/help) or [IRS.gov/etushelp](https://www.irs.gov/etushelp) pages for a variety of tools that will help you get answers to some of the most common tax questions.
- Go to [IRS.gov/ita](https://www.irs.gov/ita) for the Interactive Tax Assistant, a tool that will ask you questions on a number of tax law topics and provide answers.

You can print the entire interview and the final response for your records.

- Go to [IRS.gov/pub17](https://www.irs.gov/pub17) to get Pub. 17, Your Federal Income Tax for Individuals, which features details on tax saving opportunities, tax changes, and thousands of interactive links to help you find answers to your questions. View it online in HTML or as a PDF or, better yet, download it to your mobile device to enjoy eBook features.
- You may also be able to access tax law information in your electronic filing software.

Getting tax forms and publications.

[IRS.gov/forms](https://www.irs.gov/forms) to view, download, or print all of the forms and publications you may need. You can also download and view popular tax publications and instructions (including the 1040 instructions) on mobile devices as an eBook at no charge. Or, you can go to [IRS.gov/orderforms](https://www.irs.gov/orderforms) to place an order and have forms mailed to you within 10 business days.

Using direct deposit. The fastest way to receive a tax refund is to combine direct deposit and IRS e-file. Direct deposit securely and electronically transfers your refund directly into your financial account. Eight in 10 taxpayers use direct deposit to receive their

refund. IRS issues more than 90% of refunds in less than 21 days.

Delayed refund for returns claiming certain

credits. Due to changes in the law, the IRS can't issue refunds before February 15, 2017, for 2016 returns that claim the earned income credit (EIC) or the additional child tax credit (ACTC). This applies to the entire refund, not just the portion associated with these credits.

Getting a transcript or copy of a return. The

quickest way to get a copy of your tax transcript is to go to [IRS.gov/transcripts](https://irs.gov/transcripts). Click on either "Get Transcript Online" or "Get Transcript by Mail" to order a copy of your transcript. If you prefer, you can:

- Order your transcript by calling 1-800-908-9946.

- Mail Form 4506T or Form 4506T-EZ (both available on [IRS.gov](https://irs.gov)).

Using online tools to help prepare your return. Go to [IRS.gov/tools](https://irs.gov/tools) for the following.

- The *Earned Income Tax Credit Assistant* ([IRS.gov/eic](https://irs.gov/eic)) determines if you are eligible for the EIC.

- The *Online EIN Application* ([IRS.gov/ein](https://www.irs.gov/ein)) helps you get an employer identification number.

- The *IRS Withholding Calculator* ([IRS.gov/w4app](https://www.irs.gov/w4app)) estimates the amount you should have withheld from your paycheck for federal income tax purposes.

- The *First Time Homebuyer Credit Account Look-up* ([IRS.gov/homebuyer](https://www.irs.gov/homebuyer)) tool provides information on your repayments and account balance.

- The *Sales Tax Deduction Calculator* ([IRS.gov/salestax](https://www.irs.gov/salestax)) figures the amount you can claim if you itemize deductions on Schedule A (Form 1040), choose not to claim state and local income taxes, and you didn't save your receipts showing the sales tax you paid.

Resolving tax-related identity theft issues.

- The IRS doesn't initiate contact with taxpayers by email or telephone to request personal or financial information. This includes any type of electronic communication, such as text messages and social media channels.

Making a tax payment. The IRS uses the latest encryption technology to ensure your electronic payments are safe and secure. You can make electronic payments online, by phone, and from a mobile device using the IRS2Go app. Paying electronically is quick, easy, and faster than mailing in

- Go to [IRS.gov/refunds](https://irs.gov/refunds).
- Due to changes in the law, the IRS can't issue refunds before February 15, 2017, for 2016 returns that claim the EIC or the ACTC. This applies to the entire refund, not just the portion associated with these credits.
- Download the official IRS2Go app to your mobile device to check your refund status.
- Call the automated refund hotline at 1-800-829-1954.

Checking on the status of your refund.

- Go to [IRS.gov/identityprotection](https://irs.gov/identityprotection) for information and videos.
- If your SSN has been lost or stolen or you suspect you are a victim of tax related identity theft, visit [IRS.gov/identity](https://irs.gov/identity) to learn what steps you should take.

- *IRS Direct Pay*: Pay your individual tax bill or estimated tax payment directly from your checking or savings account at no cost to you.
- **Debit or credit card**: Choose an approved payment processor to pay online, by phone, and by mobile device.
- **Electronic Funds Withdrawal**: Offered only when filing your federal taxes using tax preparation software or through a tax professional.
- **Electronic Federal Tax Payment System**: Best option for businesses. Enrollment is required.
- **Check or money order**: Mail your payment to the address listed on the notice or instructions.
- **Cash**: If cash is your only option, you may be able to pay your taxes at a participating retail store.
- **What if I can't pay now?** Go to [IRS.gov/payments](https://www.irs.gov/payments) for more information about your options.

- Apply for an *online payment agreement* ([IRS.gov/opa](https://irs.gov/opa)) to meet your tax obligation in monthly installments if you can't pay your taxes in full today. Once you complete the online process, you will receive immediate notification of whether your agreement has been approved.
- Use the *Offer in Compromise Pre-Qualifier* ([IRS.gov/oic](https://irs.gov/oic)) to see if you can settle your tax debt for less than the full amount you owe.

Checking the status of an amended return. Go to [IRS.gov](https://irs.gov) and click on *Where's My Amended Return?* ([IRS.gov/wmar](https://irs.gov/wmar)) under the "Tools" bar to track the status of Form 1040X amended returns. Please note that it can take up to 3 weeks from the date you mailed your amended return for it show up in our system and processing it can take up to 16 weeks.

Understanding an IRS notice or letter. Go to [IRS.gov/notices](https://irs.gov/notices) to find additional information about responding to an IRS notice or letter.

Contacting your local IRS office. Keep in mind, many questions can be resolved on [IRS.gov](https://irs.gov) without visiting an IRS Tax Assistance Center (TAC). Go to [IRS.gov/letushelp](https://irs.gov/letushelp) for the topics people ask about most. If you still need help, IRS TACs provide tax

help when a tax issue can't be handled online or by phone. All TACs now provide service by appointment so you'll know in advance that you can get the service you need without waiting. Before you visit, go to irs.gov/taclocator to find the nearest TAC, check hours, available services, and appointment options. Or, on the IRS2Go app, under the Stay Connected tab, choose the Contact Us option and click on "Local Offices."

Watching IRS videos. The IRS Video portal (IRSVideos.gov) contains video and audio presentations for individuals, small businesses, and tax professionals.

Getting tax information in other languages. For taxpayers whose native language isn't English, we have the following resources available. Taxpayers can find information on irs.gov in the following languages.

- [Spanish \(irs.gov/spanish\)](https://irs.gov/spanish).
- [Chinese \(irs.gov/chinese\)](https://irs.gov/chinese).
- [Vietnamese \(irs.gov/vietnamese\)](https://irs.gov/vietnamese).
- [Korean \(irs.gov/korean\)](https://irs.gov/korean).
- [Russian \(irs.gov/russian\)](https://irs.gov/russian).

The IRS TACs provide over the phone interpreter service in over 170 languages, and the service is available free to taxpayers.

The Taxpayer Advocate Service Is Here To Help You

What is the Taxpayer Advocate Service?

The Taxpayer Advocate Service (TAS) is an **independent** organization within the IRS that helps taxpayers and protects taxpayer rights. Our job is to ensure that every taxpayer is treated fairly and that you know and understand your rights under the *Taxpayer Bill of Rights*.

What Can the Taxpayer Advocate Service Do For You?

We can help you resolve problems that you can't resolve with the IRS. And our service is free. If you qualify for our assistance, you will be assigned to one advocate who will work with you throughout the process and will do everything possible to resolve your issue. TAS can help you if:

- Your problem is causing financial difficulty for you, your family, or your business,
- You face (or your business is facing) an immediate threat of adverse action, or

- You've tried repeatedly to contact the IRS but no one has responded, or the IRS hasn't responded by the date promised.

How Can You Reach Us?

We have offices in every state, the District of Columbia, and Puerto Rico. Your local advocate's number is in your local directory and at taxpayeradvocate.irs.gov. You can also call us at 1-877-777-4778.

How Can You Learn About Your Taxpayer Rights?

The Taxpayer Bill of Rights describes 10 basic rights that all taxpayers have when dealing with the IRS. Our Tax Toolkit at taxpayeradvocate.irs.gov can help you understand what these rights mean to you and how they apply. These are ***your*** rights. Know them. Use them.

How Else Does the Taxpayer Advocate Service Help Taxpayers?

TAS works to resolve largescale problems that affect many taxpayers. If you know of one of these broad issues, please report it to us at IRS.gov/sams.

Low Income Taxpayer Clinics

Low Income Taxpayer Clinics (LITCs) serve individuals whose income is below a certain level and need to resolve tax problems such as audits, appeals, and tax collection disputes. Some clinics can provide information about taxpayer rights and responsibilities in different languages for individuals who speak English as a second language. To find a clinic near you, visit [IRS.gov/litc](https://irs.gov/litc) or see IRS Publication 4134, *Low Income Taxpayer Clinic List*.

Appendix

The following tables are for use in figuring depreciation deductions under the ACRS system.

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ACRS Percentage Tables

Table 1. 15-Year Real Property* (Other Than Low-Income Housing)

| Year | Month Placed in Service | | | | | | | | | | | |
|--|-------------------------|--------|--------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1st | 12.00% | 11.00% | 10.00% | 9.00% | 8.00% | 7.00% | 6.00% | 5.00% | 4.00% | 3.00% | 2.00% | 1.00% |
| 2nd | 10.0 | 10.0 | 11.0 | 11.0 | 10.0 | 10.0 | 11.0 | 10.0 | 10.0 | 10.0 | 11.0 | 12.0 |
| 3rd | 9.0 | 9.0 | 9.0 | 9.0 | 8.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 10.0 |
| 4th | 8.0 | 8.0 | 8.0 | 8.0 | 7.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 9.0 |
| 5th | 7.0 | 7.0 | 7.0 | 7.0 | 6.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 8.0 |
| 6th | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 7.0 |
| 7th | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| 8th | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| 9th | 5.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| 10th | 5.0 | 6.0 | 5.0 | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 6.0 | 5.0 |
| 11th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 12th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 13th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 14th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 15th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 16th | — | — | 1.0 | 1.0 | 2.0 | 2.0 | 3.0 | 3.0 | 4.0 | 4.0 | 4.0 | 5.0 |
| * Placed in Service After 1960 and Before March 16, 1964 | | | | | | | | | | | | |

Table 2. Low-Income Housing*

| Year | Month Placed in Service | | | | | | | | | | | |
|---|-------------------------|-------|-------|-------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1st | 13.0% | 12.0% | 11.0% | 10.0% | 9.0% | 8.0% | 7.0% | 6.0% | 4.0% | 3.0% | 2.0% | 1.0% |
| 2nd | 12.0 | 12.0 | 12.0 | 12.0 | 12.0 | 11.0 | 12.0 | 13.0 | 13.0 | 13.0 | 13.0 | 13.0 |
| 3rd | 10.0 | 10.0 | 10.0 | 10.0 | 11.0 | 9.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 | 11.0 |
| 4th | 9.0 | 9.0 | 9.0 | 9.0 | 9.0 | 8.0 | 9.0 | 9.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| 5th | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 | 8.0 |
| 6th | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 |
| 7th | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| 8th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 9th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 10th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 11th | 4.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 12th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 13th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 14th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 15th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 16th | — | — | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 3.0 | 3.0 | 4.0 |
| * Placed in Service After 1960 and Before May 9, 1965 | | | | | | | | | | | | |

Table 3. Low-Income Housing*

| Year | Month Placed in Service | | | | | | | | | | | |
|------|-------------------------|-------|-------|-------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1st | 13.3% | 12.2% | 11.1% | 10.0% | 12.1 | 7.8% | 12.5 | 5.6% | 4.4% | 3.3% | 2.2% | 1.1% |
| 2nd | 11.6 | 10.0 | 10.1 | 10.4 | 10.5 | 10.7 | 10.8 | 10.9 | 11.1 | 11.2 | 11.3 | 13.0 |
| 3rd | 11.7 | 11.9 | 10.2 | 10.4 | 10.5 | 10.7 | 10.8 | 10.9 | 11.1 | 11.2 | 11.3 | 13.2 |
| 4th | 8.7 | 7.6 | 7.7 | 7.8 | 7.9 | 9.2 | 9.3 | 8.2 | 9.6 | 8.4 | 9.8 | 8.6 |
| 5th | 7.5 | 6.6 | 6.7 | 6.8 | 6.9 | 7.0 | 7.1 | 7.2 | 7.3 | 7.4 | 7.4 | 7.4 |
| 6th | 6.5 | 5.7 | 5.8 | 5.9 | 5.9 | 6.0 | 6.1 | 6.1 | 6.2 | 6.3 | 6.4 | 6.5 |
| 7th | 5.7 | 5.0 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.7 | 4.8 | 5.6 |
| 8th | 4.9 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.5 | 4.5 | 4.5 |
| 9th | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.5 | 4.5 | 4.5 |
| 10th | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.5 | 4.5 | 4.5 |
| 11th | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 |
| 12th | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 |
| 13th | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| 14th | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| 15th | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 | 4.5 |
| 16th | — | 0.4 | 0.7 | 1.1 | 1.5 | 1.9 | 2.3 | 2.6 | 3.0 | 3.4 | 3.7 | 4.1 |

* Placed in Service After May 8, 1985, and Before 1987

Table 4. 18-Year Real Property*

| Year | Month Placed in Service | | | | | | | | | | | |
|---------|-------------------------|------|------|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1st | 9.0% | 9.0% | 8.0% | 7.0% | 6.0% | 5.0% | 4.0% | 4.0% | 3.0% | 2.0% | 1.0% | 0.4% |
| 2nd | 9.0 | 8.0 | 8.0 | 8.0 | 9.0 | 8.0 | 8.0 | 9.0 | 9.0 | 10.0 | 9.0 | 10.0 |
| 3rd | 8.0 | 7.0 | 7.0 | 7.0 | 7.0 | 8.0 | 8.0 | 8.0 | 9.0 | 8.0 | 9.0 | 8.0 |
| 4th | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 8.0 | 8.0 | 7.0 | 7.0 | 8.0 | 7.0 | 7.0 |
| 5th | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 |
| 6th | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 7th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 |
| 8-12th | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 13th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 14-17th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 |
| 18th | — | 3.0 | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 2.0 | 3.0 | 4.0 | 4.0 | 3.6 |

* Placed in Service After June 22, 1984, and Before May 9, 1985

Table 5. 18-Year Real Property*

| Year | Month Placed in Service | | | | | | | | | | | * Placed in Service After March 15 and Before June 23, 1984 |
|---------|-------------------------|------|------|------|------|------|------|------|------|-------|------|---|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10-11 | 12 | |
| 1st | 10.0% | 9.0% | 8.0% | 7.0% | 6.0% | 6.0% | 5.0% | 4.0% | 3.0% | 2.0% | 1.0% | |
| 2nd | 9.0 | 8.0 | 8.0 | 8.0 | 9.0 | 8.0 | 8.0 | 9.0 | 9.0 | 10.0 | 10.0 | |
| 3rd | 8.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 7.0 | 8.0 | 8.0 | 8.0 | 8.0 | |
| 4th | 7.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | |
| 5th | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | |
| 6th | 6.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | |
| 7th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | |
| 8-12th | 5.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | |
| 13th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | |
| 14-18th | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | 4.0 | |
| 19th | — | — | 1.0 | 1.0 | 1.0 | 2.0 | 2.0 | 2.0 | 3.0 | 3.0 | 4.0 | |

* Placed in Service After March 15 and Before June 23, 1984

Table 6. 19-Year Real Property*

| Year | Month Placed in Service | | | | | | | | | | | |
|---------|-------------------------|------|------|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1st | 8.8% | 8.1% | 7.3% | 6.5% | 5.8% | 5.0% | 4.2% | 3.5% | 2.7% | 1.9% | 1.1% | 0.4% |
| 2nd | 8.4 | 8.5 | 8.6 | 8.7 | 8.8 | 8.8 | 8.8 | 8.9 | 9.0 | 9.0 | 9.1 | 9.2 |
| 3rd | 7.6 | 7.7 | 7.7 | 7.8 | 7.9 | 8.0 | 8.1 | 8.1 | 8.2 | 8.2 | 8.3 | 8.3 |
| 4th | 6.9 | 7.0 | 7.0 | 7.1 | 7.1 | 7.2 | 7.3 | 7.3 | 7.4 | 7.4 | 7.5 | 7.6 |
| 5th | 6.3 | 6.3 | 6.4 | 6.4 | 6.5 | 6.5 | 6.6 | 6.6 | 6.7 | 6.8 | 6.8 | 6.9 |
| 6th | 5.7 | 5.7 | 5.8 | 5.9 | 5.9 | 5.9 | 6.0 | 6.0 | 6.1 | 6.1 | 6.2 | 6.2 |
| 7th | 5.2 | 5.2 | 5.3 | 5.3 | 5.3 | 5.4 | 5.4 | 5.5 | 5.6 | 5.6 | 5.6 | 5.6 |
| 8th | 4.7 | 4.7 | 4.8 | 4.8 | 4.8 | 4.9 | 4.9 | 5.0 | 5.1 | 5.1 | 5.1 | 5.1 |
| 9th | 4.2 | 4.3 | 4.3 | 4.4 | 4.4 | 4.5 | 4.5 | 4.5 | 4.6 | 4.6 | 4.7 | 4.7 |
| 10-19th | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 | 4.2 |
| 20th | 0.2 | 0.5 | 0.9 | 1.2 | 1.5 | 1.9 | 2.3 | 2.6 | 3.0 | 3.3 | 3.7 | 4.0 |

* Placed in Service After May 8, 1985, and Before 1987

Table 7. 18-Year Real Property*

| Year | Month Placed in Service | | | | | | | | | | | |
|---------|-------------------------|------|------|------|-------|------|--|--|--|--|--|--|
| | 1-2 | 3-4 | 5-7 | 8-9 | 10-11 | 12 | | | | | | |
| 1st | 5.0% | 4.0% | 3.0% | 2.0% | 1.0% | 0.2% | | | | | | |
| 2-10th | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | | | | | | |
| 11th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | | | | | | |
| 12-18th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | | | | | | |
| 19th | 1.0 | 2.0 | 3.0 | 4.0 | 5.0 | 5.0 | | | | | | |

* Placed in Service After June 22, 1984
If Alternate ACRS Method Elected Over 18-Year Period

Table 8. 18-Year Real Property*

| Year | Month Placed in Service | | | | | | | | | | | |
|---------|-------------------------|------|------|------|------|-------|------|--|--|--|--|--|
| | 1 | 2-3 | 4-5 | 6-7 | 8-9 | 10-11 | 12 | | | | | |
| 1st | 6.0% | 5.0% | 4.0% | 3.0% | 2.0% | 1.0% | 0.5% | | | | | |
| 2-10th | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | 6.0 | | | | | |
| 11th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | | | | | |
| 12-18th | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | 5.0 | | | | | |
| 19th | — | 1.0 | 2.0 | 3.0 | 4.0 | 5.0 | 5.0 | | | | | |

* Placed in Service After March 15 and Before June 23, 1984
If Alternate ACRS Method Elected Over 18-Year Period

Table 9. 19-Year Real Property*

| Year | Month Placed in Service | | | | | | | | | | | |
|---------|-------------------------|------|------|------|------|------|------|------|------|------|------|------|
| | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 |
| 1st | 5.0% | 4.6% | 4.2% | 3.7% | 3.3% | 2.9% | 2.4% | 2.0% | 1.5% | 1.1% | 0.7% | 0.2% |
| 2-13th | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 | 5.3 |
| 14-19th | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 | 5.2 |
| 20th | 0.2 | 0.6 | 1.0 | 1.5 | 1.9 | 2.3 | 2.8 | 3.2 | 3.7 | 4.1 | 4.5 | 5.0 |

* If Alternate ACRS Method Elected Over 19-Year Period

Table 10. 18-Year Real Property*

| Year | Month Placed in Service | | | | | | | | | | | |
|---------|-------------------------|------|------|------|------|--|--|--|--|--|--|--|
| | 1-2 | 3-6 | 7-10 | 11 | 12 | | | | | | | |
| 1st | 3.0% | 2.0% | 1.0% | 0.4% | 0.1% | | | | | | | |
| 2-30th | 3.0 | 3.0 | 3.0 | 3.0 | 3.0 | | | | | | | |
| 31st | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | | | | | | |
| 32-36th | 2.0 | 2.0 | 2.0 | 2.0 | 2.0 | | | | | | | |
| 36th | — | 1.0 | 2.0 | 2.0 | 2.0 | | | | | | | |

* Placed in Service After June 22, 1984
If Alternate ACRS Method Elected Over 35-Year Period

| Year | 1st 2-30th 31-35th 36th | Month Placed in Service | | | | |
|------|----------------------------------|-------------------------|----------------------------|------|--|--|
| | | 1-2 | 3-6 | 7-12 | | |
| | | 3.0% 3.0 2.0 | 2.0% 3.0 2.0 1.0% | | | |

Table 11. 18-Year Real Property ¹
15-Year Real Property and Low-Income Housing ²

| Year | 1st 2-20th 21-35th 36th | Month Placed in Service | | | | | | |
|------|----------------------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | 2.9% 2.8 — | 2.6% 2.8 0.8 | 2.4% 2.8 0.5 | 2.1% 2.8 0.8 | 1.9% 2.8 1.0 | 1.7% 2.8 1.2 | 1.4% 2.8 1.5 |

Table 12. Low-Income Housing*

| Year | 1st 2-20th 21-35th 36th | Month Placed in Service | | | | | | |
|------|----------------------------------|-------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | 2.7% 2.9 0.2 | 2.5% 2.9 0.4 | 2.3% 2.9 0.6 | 2.0% 2.9 0.9 | 1.6% 2.9 1.1 | 1.5% 2.9 1.4 | 1.3% 2.9 1.6 |

Table 13. 19-Year Real Property*


| Year | 1st 2-11th 12-45th 46th | Month Placed in Service | | | | | | |
|------|----------------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | 2.1% 2.3 2.2 0.1 | 1.9% 2.3 2.2 0.3 | 1.8% 2.3 2.2 0.4 | 1.6% 2.3 2.2 0.6 | 1.4% 2.3 2.2 0.8 | 1.2% 2.3 2.2 1.0 | 1.0% 2.3 2.2 1.2 |

Table 14. 18-Year Real Property ¹
19-Year Real Property ²

| Year | 1st 2-10th 11-45th 46th | Month Placed in Service | | | | | | |
|------|----------------------------------|-------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|---------------------------|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| | | 2.3% 2.3 2.2 — | 2.0% 2.3 2.2 0.3 | 1.9% 2.3 2.2 0.4 | 1.7% 2.3 2.2 0.6 | 1.5% 2.3 2.2 0.8 | 1.3% 2.3 2.2 1.0 | 1.2% 2.3 2.2 1.1 |

Table 15. 18-Year Real Property ¹
15-Year Real Property and Low-Income Housing ²

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 To help us develop a more useful index, please let us know if you have ideas for index entries. See "Comments and Suggestions" in the "Introduction" for the ways you can reach us.

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