

# Instructions for Form 4562

## 2023

### Depreciation and Amortization (Including Information on Listed Property)

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Volume 1 of 2



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Section references are to the Internal Revenue Code unless otherwise noted.

## **Future Developments**

For the latest information about developments related to Form 4562 and its instructions, such as legislation enacted after this form and instructions were published, go to [IRS.gov/ Form4562](https://www.irs.gov/Form4562).

## **What's New**

**Section 179 deduction dollar limits.** For tax years beginning in 2023, the maximum section 179 expense deduction is \$1,160,000.

This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds \$2,890,000. Also, the maximum section 179 expense deduction for sport utility vehicles (SUVs) placed in service in tax years beginning in 2023 is \$28,900.

**Phase down of the special depreciation allowance for certain property.** Certain qualified property (other than property with a long production period and certain aircraft) placed in service after December 31, 2023, and before January 1, 2025, is limited to a special allowance of 60% of the depreciable basis of the property. Property with a long production period and certain aircraft placed in service after December 31, 2023, and before January 1, 2025, is limited to a special depreciation allowance of 80% of the depreciable basis of the property. For certain plants bearing fruits and nuts planted and grafted after December 31, 2023, and before

January 1, 2025, the special depreciation allowance is also limited to 60% of the adjusted basis of the specified plants. See *Certain qualified property acquired after September 27, 2017* and *Certain plants bearing fruits and nuts*, later.

## **General Instructions**

### **Purpose of Form**

Use Form 4562 to:

- Claim your deduction for depreciation and amortization,
- Make the election under section 179 to expense certain property, and
- Provide information on the business/investment use of automobiles and other listed property.

**Note.** Do not use Form 4562 to claim the deduction for energy efficient commercial buildings under section 179D. Instead use

Form 7205, Energy Efficient Commercial Buildings Deduction. See Form 7205 and the related instructions for more information.

## **Who Must File**

Except as otherwise noted, complete and file Form 4562 if you are claiming any of the following.

- Depreciation for property placed in service during the 2023 tax year.
- A section 179 expense deduction (which may include a carryover from a previous year).
- Depreciation on any vehicle or other listed property (regardless of when it was placed in service).
- A deduction for any vehicle reported on a form other than Schedule C (Form 1040), Profit or Loss From Business.
- Any depreciation on a corporate income tax return (other than Form 1120-S).

- Amortization of costs that begins during the 2023 tax year.

If you are an employee deducting job-related vehicle expenses using either the standard mileage rate or actual expenses, use Form 2106, Employee Business Expenses, for this purpose.

File a separate Form 4562 for each business or activity on your return for which Form 4562 is required. If you need more space, attach additional sheets. However, complete only one Part I in its entirety when computing your section 179 expense deduction. See the instructions for line 12, later.

## **Additional Information**

For more information about depreciation and amortization (including information on listed property), see the following.

- Pub. 463, Travel, Gift, and Car Expenses.

- Pub. 534, Depreciating Property Placed in Service Before 1987.
- Pub. 551, Basis of Assets.
- Pub. 946, How To Depreciate Property.

## **Definitions**

### **Depreciation**

Depreciation is the annual deduction that allows you to recover the cost or other basis of your business or investment property over a certain number of years. Depreciation starts when you first use the property in your business or for the production of income. It ends when you either take the property out of service, deduct all your depreciable cost or basis, or no longer use the property in your business or for the production of income.

Generally, you can depreciate:

- Tangible property such as buildings, machinery, vehicles, furniture, and equipment; and

- Intangible property such as patents, copyrights, and computer software.

**Exception.** You cannot depreciate land.

### **Accelerated Cost Recovery System**

The Accelerated Cost Recovery System (ACRS) applies to property first used before 1987. It is the name given for the tax rules that allow a taxpayer to recover 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.

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. See the instructions for line 16 for more information.

For a complete discussion of ACRS, see Pub. 534.

## **Modified Accelerated Cost Recovery System**

The Modified Accelerated Cost Recovery System (MACRS) is the current method of accelerated asset depreciation required by the tax code. Under MACRS, all assets are divided into classes which dictate the number of years over which an asset's cost will be recovered. Each MACRS class has a predetermined schedule which determines the percentage of the asset's costs which is depreciated each year. For more information, see *Part III. MACRS Depreciation*, later. For a complete discussion of MACRS, see chapter 4 of Pub. 946.

### **Section 179 Property**

Section 179 property is property that you acquire by purchase for use in the active

conduct of your trade or business, and is one of the following.

- Qualified section 179 real property. For more information, see *Special rules for qualified section 179 real property*, later.
- Tangible personal property, including cellular telephones, similar telecommunications equipment, and air conditioning or heating units (for example, portable air conditioners or heaters). Also, tangible personal property may include certain property used mainly to furnish lodging or in connection with the furnishing of lodging (except as provided in section 50(b)(2)).
- Other tangible property (except buildings and their structural components) used as:
  1. An integral part of manufacturing, production, or extraction, or of furnishing transportation,

communications, electricity, gas, water, or sewage disposal services;

2. A research facility used in connection with any of the activities in (1) above; or
  3. A facility used in connection with any of the activities in (1) above for the bulk storage of fungible commodities.
- Single purpose agricultural (livestock) or horticultural structures.
  - Storage facilities (except buildings and their structural components) used in connection with distributing petroleum or any primary product of petroleum.
  - Off-the-shelf computer software. Section 179 property does not include the following.
  - Property held for investment (section 212 property).

- Property used mainly outside the United States (except for property described in section 168(g)(4)).
- Property used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in a taxable unrelated trade or business.
- Property used by a governmental unit or foreign person or entity (except for property used under a lease with a term of less than 6 months).

See the instructions for Part I and Pub. 946.

**Special rules for qualified section 179 real property.** You can elect to treat certain qualified real property placed in service during the tax year as section 179 property. See *Election for certain qualified section 179 real property* under *Part I*, later, for information on how to make this election. If the election is made, the term "section 179

property" will include any qualified real property which is:

- Qualified improvement property as described in section 168(e)(6), and
- Any of the following improvements to nonresidential real property placed in service after the date the nonresidential real property was first placed in service.
  1. Roofs.
  2. Heating, ventilation, and air-conditioning property.
  3. Fire protection and alarm systems.
  4. Security systems.

This property is considered "qualified section 179 real property."

A deduction attributable to qualified section 179 real property which is disallowed under the trade or business income limitation (see *Business Income Limit* in chapter 2 of Pub.

946) for 2023 can be carried over to 2024. Thus, the amount of any 2023 disallowed section 179 expense deduction attributable to qualified section 179 real property will be reported on line 13 of Form 4562.

## **Amortization**

Amortization is similar to the straight line method of depreciation in that an annual deduction is allowed to recover certain costs over a fixed time period. You can amortize such items as the costs of starting a business, goodwill, and certain other intangibles. See the instructions for Part VI.

## **Listed Property**

Listed property generally includes the following.

- Passenger automobiles weighing 6,000 pounds or less. See *Limits for passenger automobiles*, later.

- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pickup trucks, SUVs, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).

**Exceptions.** Listed property does not include:

1. Photographic, phonographic, communication, or video equipment used exclusively in a taxpayer's trade or business or at the taxpayer's regular business establishment;
2. Any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment;

3. An ambulance, hearse, or vehicle used for transporting persons or property for compensation or hire; or
4. Any truck or van placed in service after July 6, 2003, that is a qualified nonpersonal use vehicle.

For purposes of the exceptions above, a portion of the taxpayer's home is treated as a regular business establishment only if that portion meets the requirements for deducting expenses attributable to the business use of a home. However, for any property listed in (1) above, the regular business establishment of an employee is their employer's regular business establishment.

## **Commuting**

Generally, commuting is defined as travel between your home and a work location. However, travel that meets any of the following conditions is not commuting.

- You have at least one regular work location away from your home and the travel is to a temporary work location in the same trade or business, regardless of the distance. Generally, a temporary work location is one where your employment is expected to last 1 year or less. See Pub. 463 for details.
- The travel is to a temporary work location outside the metropolitan area where you live and normally work.
- Your home is your principal place of business for purposes of deducting expenses for business use of your home and the travel is to another work location in the same trade or business, regardless of whether that location is regular or temporary and regardless of distance.

## **Alternative Minimum Tax (AMT)**

Depreciation may be an adjustment for the AMT. However, no adjustment applies in several instances. See Form 6251, Alternative Minimum Tax—Individuals; Schedule I (Form 1041), Alternative Minimum Tax—Estates and Trusts; and the related instructions.

### **Recordkeeping**

Except for Part V (relating to listed property), the IRS does not require you to submit detailed information with your return on the depreciation of assets placed in service in previous tax years. However, the information needed to compute your depreciation deduction (basis, method, etc.) must be part of your permanent records.



*You may use the Depreciation Worksheet, later, to assist you in maintaining depreciation records.*

*However, the worksheet is designed only for federal income tax purposes. You may need*

*to keep additional records for accounting and state income tax purposes.*

## **Specific Instructions**

### **Part I. Election To Expense Certain Property Under Section 179**

**Note.** An estate or trust cannot make this election.

You can elect to expense part or all of the cost of section 179 property (defined earlier) that you placed in service during the tax year and used predominantly (more than 50%) in your trade or business.

However, for taxpayers other than a corporation, this election does not apply to any section 179 property you purchased and leased to others unless:

- You manufactured or produced the property; or

- The term of the lease is less than 50% of the property's class life and, for the first 12 months after the property is transferred to the lessee, the deductions related to the property allowed to you as trade or business expenses (except rents and reimbursed amounts) are more than 15% of the rental income from the property.

**Election.** You must make the election on Form 4562 filed with either:

- The original return you file for the tax year the property was placed in service (whether or not you file your return on time), or
- An amended return filed within the time prescribed by law for the applicable tax year. The election made on an amended return must specify the item of section 179 property to which the election applies and the part of the cost of each such item to be taken into account. The amended

return must also include any resulting adjustments to taxable income.

***Election for certain qualified section 179 real property.*** You can elect to expense certain qualified real property that you first placed in service as section 179 property for tax years beginning in 2023. For more information, see *Election* above.

**Revocation.** The election (or any specification made in the election) can be revoked without obtaining IRS approval by filing an amended return. The amended return must be filed within the time prescribed by law for the applicable tax year. The amended return must include any resulting adjustments to taxable income or to the tax liability (for example, allowable depreciation in that tax year for the item of section 179 property to which the revocation pertains). For more information and examples, see Regulations sections 1.179-

5(c)(3) and (c)(4). Once made, the revocation is irrevocable.



*If you elect to expense section 179 property, you must reduce the amount on which you figure your depreciation or amortization deduction (including any special depreciation allowance) by the section 179 expense deduction.*

## **Line 1**

Generally, the maximum section 179 expense deduction is \$1,160,000 for section 179 property (including qualified section 179 real property) placed in service during the tax year beginning in 2023.



*You can use Worksheet 1 to assist you in determining the amount to enter on line 1.*

**Recapture rule.** If the section 179 property is not used predominantly (more than 50%) in your trade or business at any time before the end of the property's recovery period, the

benefit of the section 179 expense deduction must be reported as “other income” on your return.

If any qualified section 179 disaster assistance property ceases to be used in the applicable federally declared disaster area in any year after you claim the increased section 179 expense deduction for that property, the benefit of the increased section 179 expense deduction must be reported as “other income” on your return. Similar rules apply if qualified Liberty Zone property ceases to be used in the Liberty Zone, if qualified section 179 GO Zone property ceases to be used in the GO Zone, if qualified section 179 Recovery Assistance property ceases to be used in the Recovery Assistance area, if qualified empowerment zone property ceases to be used in an empowerment zone by an enterprise zone business, or if qualified renewal property ceases to be used in a renewal community by a renewal community

business in any year after you claim the increased section 179 expense deduction.

## **Line 2**

Enter the total cost of all section 179 property you placed in service during the tax year (including the total cost of qualified real property that you elect to treat as section 179 property). Also, include the cost of the following.

- Any listed property from Part V.
- Any property placed in service by your spouse, even if you are filing a separate return. This includes qualified section 179 real property that your spouse made the election to treat as section 179 property for 2023.

Worksheet 1. **Worksheet for Lines 1, 2, and 3**

Keep for Your Records



<b>Maximum section 179 limitation calculation.</b>		
1.*	Enter total cost of section 179 property (including qualified section 179 real property) placed in service during the tax year beginning in 2023 .....	
2.	The maximum section 179 deduction limitation for 2023 .....	<b>\$1,160,000</b>
3.	Enter the smaller of line 1 or line 2 here .....	
4.	Enter the amount from line 3 here and on Form 4562, line 1 .....	
<b>Maximum threshold cost of section 179 property before reduction in limitation calculation.</b>		
5.	Enter the amount from line 1 here and on Form 4562, line 2 .....	
6.	Base maximum threshold cost of section 179 property before reduction in limitation for 2023. Enter this amount on Form 4562, line 3 .....	<b>\$2,890,000</b>
<b>Maximum elected cost for Form 4562, lines 6 and 7, column (c).</b>		
7.	Enter the smaller of line 1 or line 4. <b>The total amount you enter on Form 4562, lines 6 and 7, column (c), cannot exceed this amount</b> .....	
* For line 1 of this worksheet, include the total amount of eligible section 179 property (including qualified section 179 real property), not just the amount for which you are making the election. See the instructions for <a href="#">line 2</a> .		

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### **Line 3**

The amount of section 179 property for which you can make the election is limited to the maximum dollar amount on line 1. This amount is reduced if the cost of all section 179 property placed in service in 2023 is more than \$2,890,000.

For a partnership, these limitations apply to the partnership and each partner. For an S corporation, these limitations apply to the S corporation and each shareholder. For a controlled group, all component members are treated as one taxpayer.

### **Line 5**

If line 5 is zero, you cannot elect to expense any section 179 property. In this case, skip lines 6 through 11, enter zero on line 12, and enter the carryover of any disallowed deduction from 2019 (which does not include amounts attributable to qualified section 179 real property) on line 13.

See Special rules for qualified section 179 real property, earlier.

If you are married filing separately, you and your spouse must allocate the dollar limitation for the tax year. To do so, multiply the total limitation that you would otherwise enter on line 5 by 50% (0.50), unless you both elect a different allocation. If you both elect a different allocation, multiply the total limitation by the percentage elected. The sum of the percentages you and your spouse elect must equal 100%.

Do not enter on line 5 more than your share of the total dollar limitation.

## **Line 6**

Do not include any listed property on line 6. Enter the elected section 179 cost of listed property in column (i) of line 26.

### **Column (a)—Description of property.**

Enter a brief description of the property you elect to expense (for example, truck, office

furniture, qualified improvement property, roof, etc.).

**Column (b)—Cost (business use only).**

Enter the cost of the property. If you acquired the property through a trade-in, do not include any carryover basis of the property traded in. Include only the excess of the cost of the property over the value of the property traded in.

**Column (c)—Elected cost.** Enter the amount you elect to expense. You can depreciate the amount you do not expense. See the line 19 and line 20 instructions.

To report your share of a section 179 expense deduction from a partnership or an S corporation, enter “from Schedule K-1 (Form 1065)” or “from Schedule K-1 (Form 1120-S)” across columns (a) and (b).

**Line 7**

Enter the amount that you elected to expense for listed property (defined earlier) on line 29

here. For more information, see Part V—Listed Property, later.

### **Line 10**

The carryover of disallowed deduction from 2022 is the amount of section 179 property, if any, you elected to expense in previous years that was not allowed as a deduction because of the business income limitation. If you filed Form 4562 for 2022, enter the amount from line 13 of your 2022 Form 4562.

### **Line 11**

The total cost you can deduct is limited to your taxable income from the active conduct of a trade or business during the year. You are considered to actively conduct a trade or business only if you meaningfully participate in its management or operations. A mere passive investor is not considered to actively conduct a trade or business.

**Note.** If you have to apply another Code section that has a limitation based on taxable income, see Pub. 946 for rules on how to apply the business income limitation for the section 179 expense deduction.

**Individuals.** Enter the smaller of line 5 or the total taxable income from any trade or business you actively conducted, computed without regard to any section 179 expense deduction, the deduction for one-half of self-employment taxes under section 164(f), or any net operating loss deduction. Also, include all wages, salaries, tips, and other compensation you earned as an employee (from Form 1040, line 1). Do not reduce this amount by unreimbursed employee business expenses. If you are married filing a joint return, combine the total taxable incomes for you and your spouse.

**Partnerships.** Enter the smaller of line 5 or the partnership's total items of income and expense, described in section 702(a), from

any trade or business the partnership actively conducted (other than credits, tax-exempt income, the section 179 expense deduction, and guaranteed payments under section 707(c)).

**S corporations.** Enter the smaller of line 5 or the corporation's total items of income and expense described in section 1366(a) from any trade or business the corporation actively conducted (other than credits, tax-exempt income, the section 179 expense deduction, and the deduction for compensation paid to the corporation's shareholder-employees).

**Corporations other than S corporations.** Enter the smaller of line 5 or the corporation's taxable income before the section 179 expense deduction, net operating loss deduction, and special deductions (excluding items not derived from a trade or business actively conducted by the corporation).

## **Line 12**

The limitations on lines 5 and 11 apply to the taxpayer, and not to each separate business or activity. Therefore, if you have more than one business or activity, you may allocate your allowable section 179 expense deduction among them.

To do so, enter "Summary" at the top of Part I of the separate Form 4562 you are completing for the total amounts from all businesses or activities. Do not complete the rest of that form. On line 12 of the Form 4562 you prepare for each separate business or activity, enter the amount allocated to the business or activity from the "Summary." No other entry is required in Part I of the separate Form 4562 prepared for each business or activity.

## **Part II. Special Depreciation Allowance and Other Depreciation**

### **Line 14**

For qualified property (defined below) placed in service during the tax year, you may be able to take an additional special depreciation allowance. The special depreciation allowance applies only for the first year the property is placed in service. The allowance is an additional deduction you can take after any section 179 expense deduction and before you figure regular depreciation under MACRS.

**Qualified property.** You can take the special depreciation allowance for certain qualified property acquired after September 27, 2017, qualified reuse and recycling property, and certain plants bearing fruits and nuts.

***Certain qualified property acquired after September 27, 2017.*** Certain qualified property (defined below) acquired after September 27, 2017, and placed in service

after December 31, 2022, and before January 1, 2024 (other than property with a long production period and certain aircraft), is limited to a special depreciation allowance of 80% of the depreciable basis of the property. Property with a long production period and certain aircraft acquired after September 27, 2017, and placed in service before January 1, 2024, is eligible for a special depreciation allowance of 100% of the depreciable basis of the property.

The special depreciation allowance for certain qualified property (other than certain long production period property and certain aircraft) placed in service after December 31, 2023, and before January 1, 2025, is limited to 60% of the depreciable basis of the property. Property with a long production period and certain aircraft placed in service after December 31, 2023, and before January 1, 2025, is limited to a special depreciation

allowance of 80% of the depreciable basis of the property. Qualified property is:

- Tangible property depreciated under MACRS with a recovery period of 20 years or less;
  - Computer software defined in and depreciated under section 167(f)(1);
  - Water utility property (see 25-year property, later); and
  - Qualified film, television, and live theatrical productions, as defined in sections 181(d) and (e).

Qualified property must also be placed in service before January 1, 2027 (or before January 1, 2028, for certain property with a long production period and for certain aircraft), and can be either new property or certain used property.

See Pub. 946 for more information. Also, see section 168(k) and Regulations sections

1.168(k)-2 and 1.1502-68. **Qualified reuse and recycling property.** Certain qualified reuse and recycling property (defined below) placed in service after August 31, 2008, is eligible for a 50% special depreciation allowance.

Qualified reuse and recycling property includes any machinery and equipment (not including buildings or real estate), along with any appurtenance, that is used exclusively to collect, distribute, or recycle qualified reuse and recyclable materials. This includes software necessary to operate such equipment. See section 168(m)(3) for more information.

Qualified reuse and recycling property must also meet all of the following tests.

- The property must be depreciated under MACRS.
- The property must have a useful life of at least 5 years.

- You must have acquired the property by purchase after August 31, 2008. If a binding contract to acquire the property existed before September 1, 2008, the property does not qualify.
- The property must be placed in service after August 31, 2008.
- The original use of the property must begin with you after August 31, 2008.
- For self-constructed property, special rules apply. See section 168(m)(2)(C).

Qualified reuse and recycling property does not include rolling stock or other equipment used to transport reuse and recyclable materials or any property to which section 168(g) or (k) applies.

***Certain plants bearing fruits and nuts.***

You can elect to claim an 80% special depreciation allowance for the adjusted basis of certain specified plants (defined later) bearing fruits and nuts planted or grafted

after December 31, 2022, and before January 1, 2024. For certain specified plants bearing fruits and nuts planted or grafted after December 31, 2023, and before January 1, 2025, the special depreciation allowance is limited to 60% of the adjusted basis of the specified plants. A specified plant is:

- Any tree or vine that bears fruits or nuts, and
- Any other plant that will have more than one yield of fruits or nuts and generally has a preproductive period of more than 2 years from planting or grafting to the time it begins bearing fruits or nuts.

Any property planted or grafted outside the United States does not qualify as a specified plant.

If you elect to claim the special depreciation allowance for any specified plant, the special depreciation allowance applies only for the tax year in which the plant is planted or

grafted. The plant will not be treated as qualified property eligible for the special depreciation allowance in the subsequent tax year in which it is placed in service.

To make the election, attach a statement to your timely filed return (including extensions) indicating you are electing to apply section 168(k)(5) and identifying the specified plant(s) for which you are making the election. Once made, the election cannot be revoked without IRS consent. ***Exceptions.***

Qualified property does not include:

- Listed property used 50% or less in a qualified business use (as defined in the instructions for lines 26 and 27);
- Any property required to be depreciated under the Alternative Depreciation System (ADS) (that is, not property for which you elected to use ADS);

- Property placed in service, or planted or grafted, as applicable, and disposed of in the same tax year;
- Property converted from business or income-producing use to personal use in the same tax year it is acquired;
- Property described in section 168(k)(9)(A) or 168(K)(9)(B);

or

- Property for which you elected not to claim any special depreciation allowance.
- In addition, qualified second generation biofuel plant property does not include the following.
- Any tax-exempt bond financed property under section 103.
- Any property for which a deduction was taken under section 179C for certain qualified refinery property.

- Other bonus depreciation property to which section 168(k) applies.

See sections 168(k) and 168(m) for additional information. Also, see Pub. 946.

**How to figure the allowance.** Figure the special depreciation allowance by multiplying the depreciable basis of the property by the applicable percentage.

To figure the depreciable basis, subtract from the business/investment portion of the cost or other basis of the property any credits and deductions allocable to the property. The following are examples of some credits and deductions that reduce the depreciable basis.

- Section 179 expense deduction.
- Deduction for removal of barriers to the disabled and the elderly.
- Disabled access credit.
- Enhanced oil recovery credit.

- Credit for employer-provided childcare facilities and services.
- Basis adjustment to investment credit property under section 50(c).
- Section 181 expense deduction.

For additional credits and deductions that affect the depreciable basis, see section 1016. Also, see Pub. 946.

**Note.** If you acquired qualified property through a like-kind exchange or involuntary conversion after September 27, 2017, and the qualified property is new property, the carryover basis and any excess basis of the acquired property is eligible for the special depreciation allowance.

Generally, a like-kind exchange after December 31, 2017, is an exchange of real property.

If you acquired qualified property through a like-kind exchange or involuntary conversion

after September 27, 2017, and the qualified property is used property, only the excess basis of the acquired property is eligible for the special depreciation allowance.



*If you take the special depreciation allowance, you must reduce the amount on which you figure your regular depreciation or amortization deduction by the amount deducted. Also, you will not have any AMT adjustment for depreciation for the qualified property.*

**Election out.** You can elect, for any class of property, to not deduct any special depreciation allowance for all such property in such class placed in service during the tax year.

To make an election, attach a statement to your timely filed return (including extensions) indicating the class of property for which you are making the election and that, for such class, you are not to claim any special depreciation allowance.

The election must be made separately by each person owning qualified property (for example, by the partnership, by the S corporation, or for each member of a consolidated group by the common parent of the group).

If you timely filed your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding extensions). Enter "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked without IRS consent.

**Note.** If you elect to not have any special depreciation allowance apply, the property placed in service during the tax year will not be subject to an AMT adjustment for depreciation.

**Recapture.** When you dispose of property for which you claimed a special depreciation allowance, any gain on the disposition is generally recaptured (included in income) as ordinary income up to the amount of the depreciation previously allowed or allowable for the property, including the special depreciation allowance. For more information, see MACRS recapture, later. If qualified GO Zone property (including specified GO Zone property) ceases to be qualified GO Zone property, if qualified Recovery Assistance property ceases to be qualified Recovery Assistance property, if qualified cellulosic biomass ethanol plant property ceases to be qualified cellulosic biomass ethanol plant property, if qualified second generation biofuel plant property ceases to be qualified second generation biofuel plant property, or if qualified disaster assistance property ceases to be qualified disaster assistance property in any year after the year you claim the special depreciation allowance, the excess benefit

you received from claiming the special depreciation allowance must be recaptured as ordinary income. For information on depreciation recapture, see Pub. 946. Also, see Notice 2008-25, 2008-9 I.R.B. 484, available at [IRS.gov/irb/2008-09\\_IRB/ar10.html](https://www.irs.gov/irb/2008-09_IRB/ar10.html), for additional guidance on recapture of qualified GO Zone property.

## **Line 15**

Report on this line depreciation for property that you elect to depreciate under the unit-of-production method or any other method not based on a term of years (other than the retirement-replacement-betterment method). Attach a separate sheet showing:

- A description of the property and the depreciation method you elect that excludes the property from MACRS or ACRS;
- and

- The depreciable basis (cost or other basis reduced, if applicable, by salvage value, any section 179 expense deduction, deduction for removal of barriers to the disabled and the elderly, disabled access credit, enhanced oil recovery credit, credit for employer-provided childcare facilities and services, any special depreciation allowance, and any other applicable deduction or credit).

For additional credits and deductions that may affect the depreciable basis, see section 1016. Also, see section 50(c) to determine the basis adjustment for investment credit property.

## **Line 16**

Enter the total depreciation you are claiming for the following types of property (except listed property and property subject to a section 168(f)(1) election).

- ACRS property (pre-1987 rules). See Pub. 534.
- Property placed in service before 1981.
- Certain public utility property which does not meet certain normalization requirements.
- Certain property acquired from related persons.
- Property acquired in certain nonrecognition transactions.
- Certain sound recordings, movies, and videotapes.
- Property depreciated under the income forecast method. The use of the income forecast method is limited to motion picture films, videotapes, sound recordings, copyrights, books, and patents.



*If you take the special depreciation allowance for a qualified film, television, or live theatrical production, you must reduce the amount on which you figure your regular depreciation deduction by the amount deducted.*

If you use the income forecast method for any property placed in service after September 13, 1995, you may owe interest or be entitled to a refund for the 3rd and 10th tax years beginning after the tax year the property was placed in service. For details, see Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method.

For property placed in service in the current tax year, you can either include certain participations and residuals in the adjusted basis of the property or deduct these amounts when paid. See section 167(g)(7). You cannot use this method to depreciate any

amortizable section 197 intangible. For more details, see the instructions for section 197 intangibles, later.

- Intangible property, other than section 197 intangibles, including the following.
  1. Computer software. Use the straight line method over 36 months. A longer period may apply to software leased under a lease agreement entered into after March 12, 2004, to a tax-exempt organization, governmental unit, or foreign person or entity (other than a partnership). See section 167(f)(1)(C).



*If you elect the section 179 expense deduction or take the special depreciation allowance for qualified computer software, you must reduce the amount on which you figure your regular depreciation deduction by the amount deducted.*

2. Any right to receive tangible property or services under a contract or granted by a governmental unit (not acquired as part of a business).
3. Any interest in a patent or copyright not acquired as part of a business.
4. Residential mortgage servicing rights. Use the straight line method over 108 months.
5. Other intangible assets with a limited useful life that cannot be estimated with reasonable accuracy. Generally, use the straight line method over 15 years. See Regulations section 1.167(a)-3(b) for details and exceptions.



*Prior years' depreciation, plus current year's depreciation, can never exceed the depreciable basis of the property.*

## **Part III. MACRS Depreciation**

The term “Modified Accelerated Cost Recovery System” (MACRS) includes the General Depreciation System (GDS) and the Alternative Depreciation System (ADS). Generally,

MACRS is used to depreciate any tangible property placed in service after 1986. However, MACRS does not apply to films, videotapes, and sound recordings. For more details and exceptions, see Pub. 946.

### **Section A**

#### **Line 17**

For tangible property placed in service in tax years beginning before 2023 and depreciated under MACRS (“MACRS asset”), enter the deductions for the current year. To figure the deductions, see the instructions for line 19, column (g).

**Note.** If you dispose of a portion of a MACRS asset and are required to (or elect to) take the basis of the asset into account, you must reduce the basis and depreciation reserve of the MACRS asset by the basis and depreciation reserve attributable to the disposed portion as of the first day of the tax year before you compute the depreciation deduction for the current year. To figure the depreciation deduction for the remaining MACRS asset and the disposed portion, see the instructions for line 19, column (g). For more information, see Regulations section 1.168(i)-8.

## **Line 18**

To simplify the computation of MACRS depreciation, you can elect to group assets into one or more general asset accounts. The assets in each general asset account are depreciated as a single asset.

Each general asset account must include only assets that were placed in service during the same tax year and that have the same depreciation method, recovery period, and convention. However, an asset cannot be included in a general asset account if the asset is used both for personal purposes and business/investment purposes.

When an asset in an account is disposed of, the amount realized must generally be recognized as ordinary income. The unadjusted depreciable basis and depreciation reserve of the general asset account are not affected as a result of a disposition.

Special rules apply to passenger automobiles, assets generating foreign source income, assets converted to personal use, certain asset dispositions, and like-kind exchanges or involuntary conversions of property in a general asset account. For more details, see Regulations section 1.168(i)-1 (as in effect for

tax years beginning on or after January 1, 2014).

To make the election, check the box on line 18. You must make the election on your return filed no later than the due date (including extensions) for the tax year in which the assets included in the general asset account were placed in service. Once made, the election is irrevocable and applies to the tax year for which the election is made and all later tax years.

For more information on depreciating property in a general asset account, see Pub. 946.

## **Section B**

### **Property acquired in a like-kind exchange or involuntary conversion.**

Generally, you must depreciate the carryover basis of property you acquire in a like-kind exchange or involuntary conversion during the current tax year over the remaining

recovery period of the property exchanged or involuntarily converted. Use the same depreciation method and convention that was used for the exchanged or involuntarily converted property. Treat any excess basis as newly placed in service property. Figure depreciation separately for the carryover basis and the excess basis, if any.

These rules apply only to acquired property with the same or a shorter recovery period or the same or a more accelerated depreciation method than the property exchanged or involuntarily converted. For additional rules, see Regulations section 1.168(i)-6(c) and Pub. 946.

***Election out.*** Instead of using the above rules, you can elect, for depreciation purposes, to treat the adjusted basis of the exchanged property as if it was disposed of at the time of the exchange or involuntary conversion. Generally, treat the carryover basis and excess basis, if any, for the

acquired property as if placed in service on the date you acquired it. The depreciable basis of the new property is the adjusted basis of the exchanged or involuntarily converted property plus any additional amount paid for it. See Regulations section 1.168(i)-6(i).

To make the election, figure the depreciation deduction for the new property in Part III. For listed property, use Part V. Attach a statement indicating "Election made under section 1.168(i)-6(i)" for each property involved in the exchange or involuntary conversion. The election must be made separately by each person acquiring replacement property (for example, by the partnership, by the S corporation, or by the common parent of a consolidated group). The election must be made on your timely filed return (including extensions). Once made, the election cannot be revoked without IRS consent.



*Generally, a like-kind exchange after December 31, 2017, is an exchange of real property.*

## **Lines 19a Through 19i**

Use lines 19a through 19i only for assets placed in service during the tax year beginning in 2023 and depreciated under GDS, except for automobiles and other listed property (which are reported in Part V).

### **Column (a)—Classification of property.**

Sort the property you acquired and placed in service during the tax year beginning in 2023 according to its classification (3-year property, 5-year property, etc.) as shown in column (a) of lines 19a through 19i. The classifications for some property are shown below. For property not shown, see *Determining the classification*, later. **3-year property** includes the following.

- A race horse that is more than 2 years old at the time.

- Any horse (other than a race horse) that is more than 12 years old at the time it is placed in service.
- Any qualified rent-to-own property (as defined in section 168(i)(14)).

**5-year property** includes the following.

- Automobiles.
- Light general purpose trucks.
- Typewriters, calculators, copiers, and duplicating equipment.
- Any semi-conductor manufacturing equipment.
- Any qualified technological equipment.
- Any section 1245 property used in connection with research and experimentation.
- Certain energy property specified in section 168(e)(3)(B)(vi).
- Appliances, carpets, furniture, etc., used in a rental real estate activity.

- Any new machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) used in a farming business and placed in service after 2017, in tax years ending after 2017. The original use of the property must begin with you after 2017. **7-year property** includes the following.
- Office furniture and equipment.
- Railroad track.
- Any motorsports entertainment complex (as defined in section 168(i)(15)).
- Any natural gas gathering line (as defined in section 168(i) (17)) placed in service after April 11, 2005, the original use of which begins with you after April 11, 2005, and is not under self-construction or subject to a binding contract in existence before April 12, 2005. Also, no AMT adjustment is required.

- Any used agricultural machinery and equipment placed in service after 2017, grain bins, cotton ginning assets, or fences used in a farming business (but no other land improvements).
- Any property that does not have a class life and is not otherwise classified. **10-year property** includes the following.
- Vessels, barges, tugs, and similar water transportation equipment.
- Any single purpose agricultural or horticultural structure (see section 168(i)(13)).
- Any tree or vine bearing fruits or nuts.
- Any qualified smart electric meter property.
- Any qualified smart electric grid system property.

**15-year property** includes the following.

- Any municipal wastewater treatment plant.
- Any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications.
- Any section 1250 property that is a retail motor fuels outlet (whether or not food or other convenience items are sold there).
- Initial clearing and grading land improvements for gas utility property.
- Certain electric transmission property specified in section 168(e)(3)(E)(v) placed in service after April 11, 2005, the original use of which begins with you after April 11, 2005, and is not under self-construction or subject to a binding contract in existence before April 12, 2005.
- Qualified improvement property, as defined in section 168(e)(6), placed in

service by you after December 31, 2017.  
**20-year property** includes the following.

- Farm buildings (other than single purpose agricultural or horticultural structures).
- Municipal sewers not classified as 25-year property.
- Initial clearing and grading land improvements for electric utility transmission and distribution plants. **25-year property** is water utility property, which is:
  - Property that is an integral part of the gathering, treatment, or commercial distribution of water that, without regard to this classification, would be 20-year property; and
  - Municipal sewers.

This classification does not apply to property placed in service under a binding contract in effect at all times since June 9, 1996.

**Residential rental property** is a building in which 80% or more of the total rent is from dwelling units.

**Nonresidential real property** is any real property that is neither residential rental property nor property with a class life of less than 27.5 years.

**50-year property** includes any improvements necessary to construct or improve a roadbed or right-of-way for railroad track that qualifies as a railroad grading or tunnel bore under section 168(e)(4).

There is no separate line to report 50-year property. Therefore, attach a statement showing the same information as required in columns (a) through (g). Include the deduction in the line 22 "Total" and enter "See attachment" in the bottom margin of the form.

**Determining the classification.** If your depreciable property is not listed above, determine the classification as follows.

1. Find the property's class life. See the Table of Class Lives and Recovery Periods in Pub. 946.
2. Use the following table to find the classification in column (b) that corresponds to the class life of the property in column (a).

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<b>(a)</b>	<b>(b)</b>
<b>Class life (in years)</b>	<b>Classification</b>
(See Pub. 946.)	
4 or less.....	3-year property
More than 4 but less than 10.....	5-year property
10 or more but less than 16.....	7-year property

16 or more but less than 20.....	10-year property
20 or more but less than 25.....	15-year property
25 or more.....	20-year property

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**Column (b)—Month and year placed in service.** For lines 19h and 19i, enter the month and year you placed the property in service. If you converted property held for personal use to use in a trade or business or for the production of income, treat the property as being placed in service on the conversion date.

**Column (c)—Basis for depreciation (business/investment use only).** To find the basis for depreciation, multiply the cost or other basis of the property by the percentage of business/investment use. From that result, subtract any credits and deductions allocable

to the property. The following are examples of some credits and deductions that reduce the basis for depreciation.

- Section 179 expense deduction.
- Deduction under section 179D for certain energy efficient commercial building property.
- Deduction for removal of barriers to the disabled and the elderly.
- Disabled access credit.
- Enhanced oil recovery credit.
- Credit for alternative fuel vehicle refueling property.
- Credit for employer-provided childcare facilities and services.
- Any special depreciation allowance included on line 14.
- Any basis adjustment for investment credit property. See section 50(c).

- Any basis adjustment for advanced manufacturing investment credit property. See section 48D(d)(5).

For additional credits and deductions that affect the depreciable basis, see section 1016 and Pub. 946.

**Column (d)—Recovery period.** Determine the recovery period from the following table. See Pub. 946 for more information on the recovery period for MACRS property.

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**Recovery Period for Most Property**

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<b>Classification</b>	<b>Recovery period</b>
3-year property.....	3 yrs.
5-year property.....	5 yrs.
7-year property.....	7 yrs.
10-year property.....	10 yrs.

15-year property.....	15 yrs.
20-year property.....	20 yrs.
25-year property.....	25 yrs.
Residential rental property.....	27.5 yrs.
Nonresidential real property.....	39 yrs.
Railroad gradings and tunnel bores.....	50 yrs.

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**Column (e)—Convention.** The applicable convention determines the portion of the tax year for which depreciation is allowable during a year property is either placed in service or disposed of. There are three types of conventions. To select the correct convention, you must know the type of

property and when you placed the property in service.

***Half-year convention.*** This convention applies to all

property reported on lines 19a through 19g, unless the mid-quarter convention applies. It does not apply to residential rental property, nonresidential real property, and railroad gradings and tunnel bores. It treats all property placed in service (or disposed of) during any tax year as placed in service (or disposed of) on the midpoint of that tax year. Enter "HY" in column (e).

***Mid-quarter convention.*** If the total depreciable bases (before any special depreciation allowance) of MACRS property placed in service during the last 3 months of your tax year exceed 40% of the total depreciable bases of MACRS property placed in service during the entire tax year, the mid-quarter, instead of the half-year, convention generally applies.

In determining whether the mid-quarter convention applies, do not take into account the following.

- Property that is being depreciated under a method other than MACRS.
- Any residential rental property, nonresidential real property, or railroad gradings and tunnel bores.
- Property that is placed in service and disposed of within the same tax year.

The mid-quarter convention treats all property placed in service (or disposed of) during any quarter as placed in service (or disposed of) on the midpoint of that quarter. However, no depreciation is allowed under this convention for property that is placed in service and disposed of within the same tax year. Enter "MQ" in column (e).

***Mid-month convention.*** This convention applies only to residential rental property (line 19h), nonresidential real property (line 19i),

and railroad gradings and tunnel bores. It treats all property placed in service (or disposed of) during any month as placed in service (or disposed of) on the midpoint of that month. Enter "MM" in column (e).

**Column (f)—Method.** Applicable depreciation methods are prescribed for each classification of property as follows. However, you can make an irrevocable election to use the straight line method for all property within a classification that is placed in service during the tax year. Enter "200 DB" for 200% declining balance, "150 DB" for 150% declining balance, or "S/L" for straight line.

- **3-, 5-, 7-, and 10-year property.**

Generally, the applicable method is the 200% declining balance method, switching to the straight line method in the first tax year that the straight line rate exceeds the declining balance rate.

**Note.** The straight line method is the only applicable method for trees and vines bearing

fruits or nuts. The 150% declining balance method is the only applicable method for any qualified smart electric meter or any qualified smart electric grid system property placed in service after October 3, 2008.

For 3-, 5-, 7-, or 10-year property eligible for the 200% declining balance method, you can make an irrevocable election to use the 150% declining balance method, switching to the straight line method in the first tax year that the straight line rate exceeds the declining balance rate. The election applies to all property within the classification for which it is made and that was placed in service during the tax year. You will not have an AMT adjustment for any property included under this election.