Form **4562**
Department of the Treasury
Internal Revenue Service

Depreciation

▶ See instructions on back.
▶ Attach this form to your return.

1980

Name(s) as shown on return | Identifying number

For grouping assets, see instructions for line 3.

a. Description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in earlier years	e. Method of figuring depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation. See instructions for limitation. →						
2 Class Life Asset Depreciation Range (CLADR) System depreciation from Form 4832 . .						
3 Other depreciation:						
Buildings						
Furniture and fixtures . . .						
Transportation equipment . .						

Instructions

(Section references are to the Internal Revenue Code, unless otherwise specified.)

Purpose

Individuals, estates, trusts, partnerships and corporations use Form 4562 to explain the depreciation deduction claimed on their return. If you buy qualifying business property, or qualifying property held for the production of income, that has a useful life of more than one year, you must spread the cost over the estimated useful life of the property, and deduct a part at a time. This deduction of the cost or other basis is called depreciation.

Useful life is the period for which the property may be reasonably expected to be useful to you in your trade or business or for the production of income. See **Publication 534, Depreciation,** for more information.

The basis for determining depreciation is the same as the basis you would use to determine your gain on the sale of the property. Usually the cost of the property is your basis. However, you may not depreciate the cost of land. See **Publication 551, Basis of Assets.**

Depreciation begins when you place the asset in service (or when it is available for service), and ends when you take the asset out of service.

Methods of Depreciation.—The most common methods of depreciation are:

(1) Straight Line.—Deduct the cost or other basis of the property (minus salvage value and additional first-year depreciation, if any) in equal annual amounts over its estimated useful life. To figure the basis for depreciation for personal property (other than livestock) with a useful life of 3 years or more, you do not have to take into account salvage value that is less than 10% of the property's cost or other basis. If the salvage value is more than 10%, take into account only the amount that is more than 10% of the cost or other basis.

Salvage value is the amount that you would expect to get when you dispose of an asset after you no longer need it in your business or to produce income. The salvage value is determined at the time you acquire the property.

(2) Declining Balance.—Apply a uniform rate each year to the remaining cost or other basis figured at the beginning of the year. Subtract the depreciation you take each year from the cost or other basis of the property before figuring the next year's depreciation. The same depreciation rate applies to a smaller, or declining, balance each year.

Salvage value is not deducted from the basis of the property in figuring depreciation under this method. However, you must not depreciate your property below a reasonable salvage value.

What Method To Use.—You may use the straight line method of depreciation for any tangible property that qualifies for the deduction. To use other methods, you must consider the kind of property, its useful life, whether it is new or used, and the date you acquired it.

(1) Real Estate Depreciation.—You may depreciate new residential rental property using the 200% declining balance method. Other new real property may be depreciated using the 150% declining balance method or any other consistent method, so long as the total accumulated depreciation at the end of any tax year (during the first two-thirds of the useful life of the property) is not more than the amount which would have resulted from using the 150% declining balance method.

You may depreciate used residential rental property with a life of 20 years or more using the 125% declining balance method. Residential rental property is property from which at least 80% of the gross income is from dwelling units.

You must depreciate other used real property under the straight line method.

(2) Personal Property.—You may depreciate new tangible personal property with a useful life of 3 years or more using the 200% declining balance method or any other consistent method, provided that the total accumulated depreciation at the end of any tax year (during the first two-thirds of the useful life of the property) is not more than the total amount that would result from using the 200% declining balance method. However, you may be limited to the straight line method for certain boilers fired by gas or oil. See **Publication 534** for details.

You may depreciate used tangible personal property having a useful life of 3 years or more using the 150% declining balance method or any other consistent method so long as the total accumulated depreciation at the end of any tax year (during the first two-thirds of the useful life of the property) is not more than the total amount that would result from using the 150% declining balance method.

(3) Rehabilitation Expenditures for Low-income Housing.—You may choose to figure the depreciation for rehabilitation expenditures under the straight line method, using a useful life of 60 months with no salvage value. The amount you may depreciate over the 60-month period cannot be more than $20,000 per dwelling unit in the building. Any amount over the $20,000 may be depreciated under the methods described in Real Estate Depreciation, above.

To qualify, you must:

(a) spend more than $3,000 per dwelling unit over 2 consecutive tax years;

(b) spend this amount for low-income housing only; and

(c) spend this amount under a contract you entered into after 1975 and before 1982.

For more details on this deduction, and the information required to be attached to your return, see **Publication 534.**

Change in Depreciation Method.—If you wish to change your depreciation method, file Form 3115, Application for Change in Accounting Method, with the Service Center where you will file your return. You must file this form within the first 180 days of the tax year for which you wish to make the change.

Specific Instructions

Line 1.—Additional First-Year Depreciation.—If you acquire qualifying property for use in your business or for the production of income, you may be able to deduct 20% of the cost of the property in the first year, in addition to your regular depreciation deduction. Do not subtract salvage value before figuring the deduction. Figure the additional first-year depreciation before you figure your regular depreciation deduction.

Qualifying property is tangible personal property having a useful life of at least 6 years. Examples include machinery, office equipment, transportation equipment, printing presses, refrigerators, individual air conditioning units and grocery counters, even though the property may be considered fixtures under local law. Land, buildings and structural components do not qualify. Property acquired by gift or inheritance, or from certain related parties, does not qualify. Property converted from personal use to business use does not qualify.

If you trade old property for new property in a nontaxable exchange, the cost of the newly acquired property, for additional first-year depreciation, does not include the adjusted basis of the property traded in.

The cost of property on which you may take this additional depreciation is limited to $10,000 on a separate return, or $20,000 on a joint return. If during your tax year you purchase $30,000 of qualifying property, you may deduct 20% of only $10,000 on a separate return; or 20% of $20,000 on a joint return.

The cost of partnership property on which additional first-year depreciation is figured and passed through to the partners cannot be more than $10,000. If the partnership acquired $40,000 worth of qualifying assets, only $10,000 of the cost can be passed through to the partners. If the partners have assets of their own on which to figure additional first-year depreciation, they will combine their share of the cost of the partnership assets with the cost of their own assets to figure the allowable deduction (subject to the limitations discussed above).

Enter the total additional first-year depreciation for the year on line 1. Do not include it on line 2 or 3.

Line 2.—Class Life Asset Depreciation Range (CLADR) System Depreciation from Form 4832.—If you elect the CLADR system of depreciation, figure the deduction on Form 4832, Class Life Asset Depreciation Range (CLADR) System. Enter the total depreciation from that form on line 2, and attach Form 4832 to your return. See the instructions for Form 4832 for more information.

Line 3.—Other Depreciation.—You may enter each asset separately, or you may group assets into depreciation accounts. You must figure the depreciation separately for each asset or group. See **Publication 534** for more information on grouping assets.

Enter a brief description of the asset or group in column a. Enter the date acquired in column b if for a single asset or a group that has a single acquisition date for all assets in the group. Enter the total accumulated depreciation from earlier years in column d. Enter the method of depreciation in column e. The same method must be used for all assets in a group. Enter the life of the assets (or average useful life, if used, for a group) or the rate of depreciation in column f. Enter the depreciation for the current year in column g.

Enter the cost or other basis for the asset or group in column c. This amount should reflect the depreciable basis; that is, cost or other basis reduced by salvage value and additional first-year depreciation, if applicable.

Line 4.—Totals.—On line 4a add the amounts in column c and column g. Enter these totals on the proper line of your tax return.

On line 4b enter the total cost or basis (included in line 4a) of assets you acquired in this tax year.

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