

Instructions for Form 4562

2023

Depreciation and Amortization (Including Information on Listed Property)

Volume 2 of 2



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For 3-, 5-, 7-, or 10-year property used in a farming business and placed in service after 2017, in tax years ending after 2017, the 150% declining balance method is no longer required. However, the 150% declining balance method will continue to apply to any 15- or 20-year property used in a farming business to which the straight line method does not apply or to property for which you elect the use of the 150% declining balance method.

- **15- and 20-year property and property used in a farming business.**

The applicable method is 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. For 3-, 5-, 7-, and 10-year property used in a farming business and placed in service after 2017, see 3-, 5-, 7-, or 10-year property above.

- **Water utility property, residential rental property, nonresidential real property, or any railroad grading or tunnel bore.** The only applicable method is the straight line method.

Column (g)—Depreciation deduction. To figure the depreciation deduction, you may use optional Tables A through E, which begin later. Multiply column (c) by the applicable rate from the appropriate table. See Pub. 946 for complete tables. If you disposed of the property during the current tax year, multiply the result by the applicable decimal amount from the tables in Step 3, later. Or, you may compute the deduction yourself by completing the following steps. **Step 1.** Determine the depreciation rate as follows.

- If you are using the 200% or 150% declining balance method in column (f), divide the declining balance rate (use 2.00 for 200 DB or 1.50 for 150 DB) by the number of years in the recovery period in

column (d). For example, for property depreciated using the 200 DB method over a recovery period of 5 years, divide 2.00 by 5 for a rate of 40%. You must switch to the straight line rate in the first year that the straight line rate exceeds the declining balance rate.

- If you are using the straight line method, divide 1.00 by the remaining number of years in the recovery period as of the beginning of the tax year (but not less than 1). For example, if there are $6\frac{1}{2}$ years remaining in the recovery period as of the beginning of the year, divide 1.00 by 6.5 for a rate of 15.38%.

Step 2. Multiply the percentage rate determined in Step 1 by the property's unrecovered basis (basis for depreciation (as defined in column (c)) reduced by all prior years' depreciation.

Step 3. For property placed in service or disposed of during the current tax year, multiply the result from Step 2 by the applicable decimal amount from the tables below (based on the convention shown in column (e)).

Half-year (HY) convention.....		0.5
Mid-quarter (MQ) convention		
Placed in service (or disposed of) during the:	Placed in service	Disposed of
1st quarter.....	0.875	0.125
2nd quarter.....	0.625	0.375
3rd quarter.....	0.375	0.625
4th quarter.....	0.125	0.875

Short tax years. See Pub. 946 for rules on how to compute the depreciation deduction for property placed in service in a short tax year.

Section C

Lines 20a Through 20d

Complete lines 20a through 20d for assets, other than automobiles and other listed property, placed in service only during the tax year beginning in 2023 and depreciated under ADS. Report on line 17 MACRS depreciation on assets placed in service in prior years.

Under ADS, use the applicable depreciation method, the applicable recovery period, and the applicable convention to compute depreciation.

The following types of property must be depreciated under ADS.

- Tangible property used predominantly outside the United States.

- Tax-exempt use property.
- Tax-exempt bond financed property.
- Imported property covered by an executive order of the President of the United States.
- Property used predominantly in a farming business and placed in service during any tax year in which you made an election under section 263A(d)(3) to not have the uniform capitalization rules of section 263A apply.
- Any nonresidential real property, residential rental property, or qualified improvement property held by an electing real property trade or business (as defined in section 163(j)(7) (B)).
- Any property that has a recovery period of 10 years or more under section 168(c) that is held by an electing farming business (as defined in section 163(j)(7)(C)).

Instead of depreciating property under GDS (line 19), you can make an irrevocable election for any classification of property for any tax year to use ADS. For residential rental and nonresidential real property, you can make this election separately for each property. You make this election by completing line 20 of Form 4562.

Column (a)—Classification of property.

Use the following rules to determine the classification of the property under ADS.

Under ADS, the depreciation deduction for most property is based on the property's class life. See section 168(g)(3) for special rules for determining the class life for certain property. See Pub. 946 for information on recovery periods for ADS and the Table of Class Lives and Recovery Periods.

Use line 20a for all property depreciated under ADS, except property that does not have a class life, residential rental and nonresidential real property, water utility

property, and railroad gradings and tunnel bores. Use line 20b for property that does not have a class life. Use line 20c for residential rental property. Use line 20d for nonresidential real property.

Residential rental property. The ADS recovery period for residential rental property placed in service after 2017 is 30 years. The ADS recovery period for residential rental property placed in service before January 1, 2018, is 30 years if the property is held by an electing real property trade or business (as defined in section 163(j)(7)(B)) and section 168(g)(1)(A), (B), (C), (D), or (E) did not apply to the property before January 1, 2018. Report depreciation for these assets on line 20c. For more information, see Pub. 946.

Water utility property and railroad gradings and tunnel bores. These assets are 50-year property under ADS. There is no separate line to report 50-year property.

Therefore, attach a statement showing the same information 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.

Column (b)—Month and year placed in service. For residential rental property and 40-year property, enter the month and year placed in service or converted to use in a trade or business or for the production of income.

Column (c)—Basis for depreciation (business/investment use only). See the instructions for line 19, column (c).

Column (d)—Recovery period. On line 20a, enter the property's class life.

Column (e)—Convention. Under ADS, the applicable conventions are the same as those used under GDS. See the instructions for line 19, column (e).

Column (g)—Depreciation deduction.

Figure the depreciation deduction in the same manner as under GDS, except use the straight line method over the ADS recovery period and use the applicable convention.

MACRS recapture. If you later dispose of property you depreciated using MACRS, 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.

Depreciation, for this purpose, includes any of the following amounts taken during the 2023 tax year.

- Any section 179 expense deduction claimed on the property.
- Any special depreciation allowance available for the property (unless you elected not to claim it).
- Any deduction under section 179B for capital costs incurred in complying with

Environmental Protection Agency sulfur regulations.

There is no recapture for residential rental and nonresidential real property, unless that property is qualified property for which you claimed a special depreciation allowance (discussed earlier). For more information on depreciation recapture, see Pub. 946.

Part IV. Summary

Line 22

A partnership or S corporation does not include any section 179 expense deduction (line 12) on this line. Instead, any section 179 expense deduction is passed through separately to the partners and shareholders on the appropriate line of their Schedules K-1.

Line 23

If you are subject to the uniform capitalization rules of section 263A, enter the

increase in basis from costs you must capitalize. For a detailed discussion of who is subject to these rules, which costs must be capitalized, and allocation of costs among activities, see Regulations section 1.263A-1.

Part V. Listed Property

If you claim the standard mileage rate, actual vehicle expenses (including depreciation), or depreciation on other listed property, you must provide the information requested in Part V, regardless of the tax year the property was placed in service. However, if you file Form 2106, report this information on that form and not in Part V. Also, if you file Schedule C (Form 1040) and are claiming the standard mileage rate or actual vehicle expenses (except depreciation), and you are not required to file Form 4562 for any other reason, report vehicle information in Part IV of Schedule C and not on Form 4562.

Section A



The section 179 expense deduction should be computed before calculating any special depreciation allowance and/or regular depreciation deduction. See the instructions for line 26, column (i). Listed property used 50% or less in a qualified business use (as defined in the instructions for lines 26 and 27 below) does not qualify for the section 179 expense deduction or special depreciation allowance.

Line 25

If you placed in service certain qualified listed property during the tax year, you may be able to deduct the special depreciation allowance. This property includes certain qualified property acquired after September 27, 2017, and placed in service before January 1, 2027 (before January 1, 2028, for certain aircraft). See the instructions for line 14 for the definition of qualified property and how to figure the deduction. This special

depreciation allowance is included in the overall limit on depreciation and section 179 expense deduction for passenger automobiles. See the tables for limitations on passenger vehicles and trucks and vans, later. Enter on line 25 your total special depreciation allowance for all qualified listed property.

Lines 26 and 27

Use line 26 to figure depreciation for property used more than 50% in a qualified business use. Use line 27 to figure the depreciation for property used 50% or less in a qualified business use. Also, see Limits for passenger automobiles, later.



If you acquired the property through a trade-in, special rules apply for determining the basis, recovery period, depreciation method, and convention. For more details, see Property acquired in a like-kind exchange or involuntary conversion,

earlier. Also, see Regulations section 1.168(i)-6(d)(3).

Qualified business use. To determine whether to use line 26 or line 27 to report your listed property, you must first determine the percentage of qualified business use for each property. Generally, a qualified business use is any use in your trade or business. However, it does not include any of the following.

- Investment use.
- Leasing the property to a 5% owner or related person.
- The use of the property as compensation for services performed by a 5% owner or related person.
- The use of the property as compensation for services performed by any person (who is not a 5% owner or related person), unless an amount is included in that person's income for the use of the

property and, if required, income tax was withheld on that amount.

Excluding these uses above from the numerator, determine your percentage of qualified business use similar to the method used to figure the business/investment use percentage in column (c). Your percentage of qualified business use may be smaller than the business/investment use percentage.

For more information, including the definition of a 5% owner and related person and exceptions, see Pub. 946.

Listed property recapture. If you used listed property more than 50% in a qualified business use in the year you placed the property in service, and used it 50% or less in a later year, you may have to include as income part of the depreciation, including the special depreciation allowance, deducted in prior years. Use Form 4797, Sales of Business Property, to figure the recapture amount.

Column (a)—Type of property. List on a property-by-property basis all your listed property in the following order.

1. Automobiles and other vehicles.
2. Other listed property (computers and peripheral equipment placed in service before 2018, etc.).

In column (a), list the makes and models of automobiles, and give a general description of other listed property.

If you have more than five vehicles used 100% for business/investment purposes, you may group them by tax year. Otherwise, list each vehicle separately.

Column (b)—Date placed in service. Enter the date the property was placed in service. If property held for personal use is converted to business/investment use, treat the property as placed in service on the date of conversion.

Column (c)—Business/investment use percentage. Enter the percentage of business/investment use. For automobiles and other vehicles, determine this percentage by dividing the number of miles the vehicle is driven for trade or business purposes or for the production of income during the year (not to include any commuting mileage) by the total number of miles the vehicle is driven for all purposes. Treat vehicles used by employees as being used 100% for business/investment purposes if the value of personal use is included in the employees' gross income, or the employees reimburse the employer for the personal use. For more information, see Pub. 463.

For other listed property (such as computers placed in service before 2018 or video equipment), allocate the use based on the most appropriate unit of time the property is actually used (rather than merely being available for use).

If during the tax year you convert property used solely for personal purposes to business/investment use (or vice versa), figure the percentage of business/investment use only for the number of months you use the property in your business or for the production of income. Multiply that percentage by the number of months you use the property in your business or for the production of income, and divide the result by 12.

Column (d)—Cost or other basis. Enter the property's actual cost (including sales tax) or other basis (unadjusted for prior years' depreciation). If you traded in old property, see *Property acquired in a like-kind exchange or involuntary conversion*, earlier.

For a vehicle, reduce your basis by any qualified electric vehicle credit you claimed for property placed in service before January 1, 2007, or by any alternative motor vehicle credit allowed.

If you converted the property from personal use to business/investment use, your basis for depreciation is the smaller of the property's adjusted basis or its fair market value on the date of conversion.

Column (e)—Basis for depreciation (business/investment use only). Multiply column (d) by the percentage in column (c). From that result, subtract any section 179 expense deduction, any special depreciation allowance, any credit for employer-provided childcare facilities and services, and half of any investment credit taken before 1986 (unless you claimed the reduced credit). For automobiles and other listed property placed in service after 1985 (that is, transition property), reduce the depreciable basis by the entire investment credit.

Column (f)—Recovery period. Enter the recovery period. For property placed in service after 1986 and used more than 50% in a qualified business use, use the table in

the instructions for line 19, column (d). For property placed in service after 1986 and used 50% or less in a qualified business use, depreciate the property using the straight line method over its ADS recovery period. The ADS recovery period is 5 years for automobiles and computers.

Column (g)—Method/convention. Enter the method and convention used to figure your depreciation deduction. See the instructions for line 19, columns (e) and (f). Enter "200 DB," "150 DB," or "S/L" for the depreciation method, and "HY," "MM," or "MQ" for half-year, mid-month, or mid-quarter conventions, respectively. For property placed in service before 1987, enter "PRE" if you used the prescribed percentages under ACRS. If you elected an alternate percentage or if you are required to depreciate the property using the straight line method, enter "S/L."

Column (h)—Depreciation deduction. See Limits for passenger automobiles, later, before entering an amount in column (h).

For property used more than 50% in a qualified business use (line 26) and placed in service after 1986, figure column (h) by following the instructions for line 19, column (g). If placed in service before 1987, multiply column (e) by the applicable percentage given in Pub. 534 for ACRS property. If the recovery period for an automobile ended before your tax year beginning in 2023, enter your unrecovered basis, if any, in column (h).

For property used 50% or less in a qualified business use (line 27) and placed in service after 1986, figure column (h) by dividing the amount in column (e) by the amount in column (f). Use the same conventions as discussed in the instructions for line 19, column (e). The amount in column (h) cannot exceed the property's unrecovered basis. If the recovery period for an automobile ended

before your tax year beginning in 2023, enter your unrecovered basis, if any, in column (h).

For property placed in service before 1987 that was disposed of during the year, enter zero.

Limits for passenger automobiles. The depreciation deduction, including the section 179 expense deduction and special depreciation allowance, for passenger automobiles is limited. For any passenger automobile (including an electric passenger automobile) you list on line 26 or line 27, the total of columns (h) and (i) on line 26 or 27 and column (h) on line 25 for that automobile cannot exceed the applicable limit shown in Table 1, 2, 3, or 4. If the business/investment use percentage in column (c) for the automobile is less than 100%, you must reduce the applicable limit to an amount equal to the limit multiplied by that percentage. For example, for an automobile (including a truck or van) placed in service in

2023 (for which you elect not to claim any special depreciation allowance) that is used 60% for business/ investment, the limit is \$7,320 ($\$12,200 \times 60\% (0.60)$).

For purposes of the limits for passenger automobiles, the following apply.

- Passenger automobiles are 4-wheeled vehicles manufactured primarily for use on public roads that are rated at 6,000 pounds unloaded gross vehicle weight or less (for a truck or van, gross vehicle weight is substituted for unloaded gross vehicle weight).
- Electric passenger automobiles are vehicles produced by an original equipment manufacturer and designed to run primarily on electricity, placed in service after August 5, 1997, and before January 1, 2007.

Exception. The following vehicles are not considered passenger automobiles.

- An ambulance, hearse, or combination ambulance-hearse used in your trade or business.
- A vehicle used in your trade or business of transporting persons or property for compensation or hire.
- Any truck or van placed in service after July 6, 2003, that is a qualified nonpersonal use vehicle. A truck or van is a qualified nonpersonal use vehicle only if it has been specially modified with the result that it is not likely to be used more than a de minimis amount for personal purposes. For example, a van that has only a front bench for seating, in which permanent shelving has been installed, that constantly carries merchandise or equipment, and that has been specially painted with advertising or the company's name, is a vehicle not likely to be used

more than a de minimis amount for personal purposes.

Exception for leasehold property. The business use requirement and the limits for passenger automobiles generally do not apply to passenger automobiles leased or held by anyone regularly engaged in the business of leasing passenger automobiles.

For a detailed discussion on passenger automobiles, including leased automobiles, see Pub. 463.

Table 1—Limits for Passenger Automobiles (including trucks and vans)
Acquired Before September 28, 2017,
and Placed in Service Before 2020

IF you placed your automobile in service:	AND the number of tax years in which this automobile has been in service is:	THEN the limit on your depreciation and section 179 expense deduction is:
Jan. 1–Dec. 31, 2018	3	\$9,600
	4 or more	\$5,760
Jan. 1–Dec. 31, 2019	3	\$9,700
	4 or more	\$5,760

Table 2—Limits for Passenger Automobiles (including trucks and vans)
Acquired After September 27, 2017, and Placed in Service Before 2024

2024IF you placed your automobile in service:	AND the number of tax years in which this automobile has been in service is:	THEN the limit on your depreciation and section 179 expense deduction is:
Jan. 1–Dec. 31, 2018	3	\$9,600
	4 or more	\$5,760
Jan. 1–Dec. 31, 2019	3	\$9,700
	4 or more	\$5,760

Jan. 1–Dec. 31, 2020	3	\$9,700
	4 or more	\$5,760
Jan. 1–Dec. 31, 2021	3	\$9,800
	4 or more	\$5,860
Jan. 1–Dec. 31, 2022	2	\$18,000
	3	\$10,800
Jan. 1–Dec. 31, 2023	1	\$12,200*
	2	\$19,500
<p>* If you take the special depreciation allowance for qualified passenger automobiles acquired after September 27, 2017, and placed in service in 2023, the limit is \$20,200.</p>		

Table 3—Limits for Passenger Automobiles Placed in Service After 2003 and Before 2018

(excluding trucks and vans placed in service after 2002 and electric passenger automobiles placed in service before January 1, 2007)

IF you placed your automobile in service:	AND the number of tax years in which this automobile has been in service is:	THEN the limit on your depreciation and section 179 expense deduction is:
Jan. 1, 2004–Dec. 31, 2005	4 or more	\$1,675

Jan. 1, 2006–Dec. 31, 2011	4 or more	\$1,775
Jan. 1, 2012–Dec. 31, 2017	4 or more	\$1,875

**Table 4—Limits for Trucks and Vans
Placed in Service After 2003 and Before
2018**

IF you placed your truck or van in service:	AND the number of tax years in which this truck or van has been in service is:	THEN the limit on your depreciation and section 179 expense deduction is:
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Jan. 1, 2004–Dec. 31, 2008	4 or more	\$1,875
Jan. 1–Dec. 31, 2009	4 or more	\$1,775
Jan. 1, 2010–Dec. 31, 2012	4 or more	\$1,875
Jan. 1, 2013–Dec. 31, 2015	4 or more	\$1,975
Jan. 1–Dec. 31, 2016	4 or more	\$2,075
Jan. 1–Dec. 31, 2017	3	\$3,450
	4 or more	\$2,075

Column (i)—Elected section 179 cost.

Enter the amount you elect to expense for section 179 property used more than 50% in a qualified business use (subject to the limits for passenger automobiles). Refer to the instructions for Part I to determine if the property qualifies under section 179.

You cannot elect to expense more than \$28,900 of the cost of any SUVs and certain other vehicles placed in service during the tax year. This rule applies to any 4-wheeled vehicle primarily designed or used to carry passengers over public streets, roads, or highways, that is rated at more than 6,000 pounds gross vehicle weight and not more than 14,000 pounds gross vehicle weight. However, the \$28,900 limit does not apply to any vehicle:

- Designed to seat more than nine persons behind the driver's seat;
- Equipped with a cargo area (either open or enclosed by a cap) of at least 6 feet in

interior length that is not readily accessible directly from the passenger compartment; or

- That has an integral enclosure fully enclosing the driver compartment and load carrying device, does not have seating rearward of the driver's seat, and has no body section protruding more than 30 inches ahead of the leading edge of the windshield.

Recapture of section 179 expense

deduction. If you used listed property more than 50% in a qualified business use in the year you placed the property in service and used it 50% or less in a later year, you may have to recapture in the later year part of the section 179 expense deduction. Use Form 4797 to figure the recapture amount.

Section B

Except as noted below, you must complete lines 30 through 36 for each vehicle identified

in Section A. Employees must provide their employers with the information requested on lines 30 through 36 for each automobile or vehicle provided for their use.

Exception. Employers are not required to complete lines 30 through 36 for vehicles used by employees who are not more than 5% owners or related persons and for which the question on line 37, 38, 39, 40, or 41 is answered "Yes."

Section C

Employers providing vehicles to their employees satisfy the employer's substantiation requirements under section 274(d) by maintaining a written policy statement that:

- Prohibits personal use including commuting, or
- Prohibits personal use except for commuting.

An employee does not need to keep a separate set of records for any vehicle that satisfies these written policy statement rules.

For both written policy statements, there must be evidence that would enable the IRS to determine whether use of the vehicle meets the conditions stated below.

Line 37

A policy statement that prohibits personal use (including commuting) must meet all of the following conditions.

- The employer owns or leases the vehicle and provides it to one or more employees for use in the employer's trade or business.
- When the vehicle is not used in the employer's trade or business, it is kept on the employer's business premises, unless it is temporarily located elsewhere (for example, for maintenance or because of a mechanical failure).

- No employee using the vehicle lives at the employer's business premises.
- No employee may use the vehicle for personal purposes, other than de minimis personal use (for example, a stop for lunch between two business deliveries).
- Except for de minimis use, the employer reasonably believes that no employee uses the vehicle for any personal purpose.

Line 38

A policy statement that prohibits personal use (except for commuting) is not available if the commuting employee is an officer, director, or 1% or more owner. This policy must meet all of the following conditions.

- The employer owns or leases the vehicle and provides it to one or more employees for use in the employer's trade or business, and it is used in the employer's trade or business.

- For bona fide noncompensatory business reasons, the employer requires the employee to commute to and/or from work in the vehicle.
- The employer establishes a written policy under which the employee may not use the vehicle for personal purposes, other than commuting or de minimis personal use (for example, a stop for a personal errand between a business delivery and the employee's home).
- Except for de minimis use, the employer reasonably believes that the employee does not use the vehicle for any personal purpose other than commuting.
- The employer accounts for the commuting use by including an appropriate amount in the employee's gross income.

Line 40

An employer that provides more than five vehicles to its employees who are not 5%

owners or related persons need not complete Section B for such vehicles. Instead, the employer must obtain the information from its employees and retain the information received.

Line 41

An automobile meets the requirements for qualified demonstration use if the employer maintains a written policy statement that:

- Prohibits its use by individuals other than full-time automobile salespersons,
- Prohibits its use for personal vacation trips,
- Prohibits storage of personal possessions in the automobile, and
- Limits the total mileage outside the salesperson's normal working hours.

Part VI. Amortization

Each year, you can deduct part of certain capital costs over a fixed period.



If you amortize property, the part you amortize does not qualify for the section 179 expense deduction or for depreciation.

Attach any information the Code and regulations may require to make a valid election. See the applicable Code section and regulations for more information.

Line 42

Complete line 42 only for those costs you amortize for which the amortization period begins during your tax year beginning in 2023.

Column (a)—Description of costs.

Describe the costs you are amortizing. You can amortize the following.

Geological and geophysical expenditures (section

167(h)). You must amortize geological and geophysical expenses paid or incurred in connection with the exploration or development of oil and gas within the United States ratably over a 24-month period, beginning on the midpoint of the tax year in which the expenses were paid or incurred. For a major integrated oil company (as defined in section 167(h)(5)), the costs paid or incurred after December 19, 2007, must be amortized ratably over a 7-year period (a 5-year period for costs paid or incurred after May 17, 2006, and before December 20, 2007).

Pollution control facilities (section 169).

You can elect to amortize the cost of a certified pollution control facility over a 60-month period (84 months for certain atmospheric pollution control facilities placed in service after April 11, 2005). See section 169 and the related regulations for details

and information required in making the election.



You can deduct a special depreciation allowance on a certified pollution control facility that is qualified property. However, you must reduce the amount on which you figure your amortization deduction by any special depreciation allowance allowed or allowable, whichever is greater.

Also, a corporation must reduce its amortizable basis of a pollution control facility by 20% before figuring the amortization deduction.

Bond premium (section 171). For individuals reporting amortization of bond premium for taxable bonds acquired before October 23, 1986, do not report the deduction here. See the instructions for Schedule A (Form 1040), line 16.

For taxpayers (other than corporations) claiming a deduction for amortization of bond premium for taxable bonds acquired after October 22, 1986, but before January 1, 1988, the deduction is treated as interest expense and is subject to the investment interest limitations. Use Form 4952, Investment Interest Expense Deduction, to compute the allowable deduction.

For taxable bonds acquired after 1987, you can elect to amortize the bond premium over the life of the bond. In general, you amortize bond premium on a bond by offsetting the stated interest allocable to a tax year with the bond premium allocable to that tax year and report the net amount of stated interest on your return. See section 171 and Regulations sections 1.171-1 through 1.171-5 for more information. Individuals, also see Pub. 550, Investment Income and Expenses. A bond premium carryforward as of the end of a taxpayer's final accrual period is treated as a

deduction. See Regulations section 1.171-2(a)(4)(i)(C). For an individual, do not report the deduction here. See the instructions for Schedule A (Form 1040), line 16.

Research and experimental expenditures (section 174). You must capitalize and amortize specified research and experimental costs paid or incurred in tax years beginning in 2023 ratably over a 5-year period (a 15-year period for specified research and experimental expenditures attributable to foreign research conducted outside the United States, Puerto Rico, or any territory of the United States) beginning with the mid-point of the tax year in which the expenditures were paid or incurred. This includes any amounts paid or incurred in connection with the development of software. For more information, see section 174.

The cost of acquiring a lease (section 178). If you get a lease for business property, you may recover the cost of

acquiring the lease by amortizing it over the term of the lease. The term of the lease for amortization purposes generally includes all renewal options (and any other period for which you and the lessor reasonably expect the lease to be renewed). However, renewal periods aren't included if 75% or more of the cost of acquiring the lease is for the term of the lease remaining on the acquisition date (not including any period for which you may choose to renew, extend, or continue the lease). See section 178.

Qualified forestation and reforestation costs (section 194). You can elect to deduct a limited amount of qualifying reforestation costs paid or incurred during the tax year for each qualified timber property. You can elect to amortize the qualifying costs that are not deducted currently over an 84-month period. There is no limit on the amount of your amortization deduction for reforestation costs paid or incurred during the tax year.

If you are otherwise required to file Form T (Timber), Forest Activities Schedule, you can make the election to amortize qualifying reforestation costs by completing Part IV of the form. See the Instructions for Form T (Timber) for more information.

See section 194. Partnerships and S corporations, also see the instructions for line 44.

Optional write-off of certain tax preferences over the period specified in section 59(e). You can elect to amortize certain tax preference items over an optional period. If you make this election, there is no AMT adjustment for these expenditures. The applicable expenditures and the optional recovery periods are as follows.

- Circulation expenditures (section 173)—3 years.
- Intangible drilling and development costs (section 263(c))—60 months.

- Mining exploration and development costs (sections 616(a) and 617(a))—10 years.
- Research and experimental expenditures paid or incurred in tax years beginning before January 1, 2022 (section 174(a) prior to amendment by section 13206(a) of P.L. 115-97)—10 years. Amortization for these costs should be reported on line 43.

See section 59(e). For information on making the election, see Regulations section 1.59-1.

Certain section 197 intangibles. The following costs must be amortized over 15 years (180 months) starting with the later of (a) the month the intangibles were acquired, or (b) the month the trade or business or activity engaged in for the production of income begins.

- Goodwill.
- Going concern value.

- Workforce in place.
- Business books and records, operating systems, or any other information base.
- A patent, copyright, formula, process, design, pattern, know-how, format, or similar item.
- A customer-based intangible (for example, composition of market or market share).
- A supplier-based intangible.
- A license, permit, or other right granted by a governmental unit.
- A covenant not to compete entered into in connection with the acquisition of a business.
- A franchise, trademark, or trade name (including renewals).

A longer period may apply to section 197 intangibles 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 197(f)(10).



A section 197 intangible is treated as depreciable property used in your trade or business. When you dispose of a section 197 intangible, any gain on the disposition, up to the amount of allowable amortization, is recaptured as ordinary income. If multiple section 197 intangibles are disposed of in a single transaction or a series of related transactions, calculate the recapture as if all of the section 197 intangibles were a single asset. This rule does not apply to section 197 intangibles disposed of for which the adjusted basis exceeds the fair market value.

See section 197.

Startup and organizational costs. You can elect to amortize the following costs for setting up your business.

- Business startup costs (section 195).
- Organizational costs for a corporation (section 248).
- Organizational costs for a partnership (section 709).

For business startup and organizational costs paid or incurred after September 8, 2008, you can elect to deduct a limited amount of startup or organizational costs for the year that your business begins. You are not required to attach a statement to make this election. Once made, the election is irrevocable. Any cost not deducted currently must be amortized ratably over a 180-month period. The amortization period starts with the month you begin business operations. See Regulations sections 1.195-1, 1.248-1, and 1.709-1.

For business startup and organizational costs paid or incurred after October 22, 2004, and before September 9, 2008, you can elect to

deduct a limited amount of startup and organizational costs for the year that your business begins. If the election is made, you must attach any statement required by Regulations sections 1.195-1(b), 1.248-1(c), and 1.709-1(c), as in effect before September 9, 2008. Any costs not deducted currently can be amortized ratably over a 180-month period, beginning with the month you begin business.

Note. You can apply the provisions of Regulations sections 1.195-1, 1.248-1, and 1.709-1 to all expenses paid or incurred after October 22, 2004, provided the period of limitations on assessment has not expired for the year of the election. Otherwise, for business startup and organizational costs paid or incurred after October 22, 2004, and before September 9, 2008, the provisions under Regulations sections 1.195-1(b), 1.248-1(c), and 1.709-1(c), as in effect before September 9, 2008, will apply.

For business startup and organizational costs paid or incurred before October 23, 2004, you can elect an amortization period of 60 months or more.

Attach any statements required by the appropriate section and related regulations to Form 4562 by the due date, including extensions, of your return for the year in which the active trade or business begins. If you have both startup and organizational costs, attach a separate statement for each type of cost. If you timely filed your return without making the election, you can still make the election on an amended return filed within 6 months of the due date, excluding extensions, of the return. Enter "Filed pursuant to section 301.9100-2" on the amended return.

Creative property costs. These are costs paid or incurred to acquire and develop screenplays, scripts, story outlines, motion picture production rights to books and plays,

and other similar properties for purposes of potential future film development, production, and exploitation. You may be able to amortize creative property costs for properties not set for production within 3 years of the first capitalized transaction. These costs are amortized ratably over a 15-year period under the rules of Rev. Proc. 2004-36, 2004-24 I.R.B. 1063.

Column (b)—Date amortization begins.

Enter the date the amortization period begins under the applicable Code section. The amortizable amount of a pollution control facility is reduced by any special depreciation allowance included on line 14 for that facility.

Column (c)—Amortizable amount. Enter the total amount you are amortizing. See the applicable Code section for limits on the amortizable amount.

Column (d)—Code section. Enter the Code section under which you amortize the costs. For examples, see the Code sections

referenced in the instructions for line 42, column (a), earlier.

Column (f)—Amortization for this year.

Compute the amortization deduction by:

1. Dividing the amount in column (c) by the number of months over which the costs are to be amortized and multiplying the result by the number of months in the amortization period included in your tax year beginning in 2023, or
2. Multiplying the amount in column (c) by the percentage in column (e).

Line 43

If you are reporting the amortization of costs (other than research and experimental expenditures) that began before your 2023 tax year and you are not required to file Form 4562 for any other reason, do not file Form 4562. Report the amortization directly on the

“Other Deductions” or “Other Expenses” line of your return.

Note. The amortization deduction and research and experimental expenditures under former section 174(b) or the dollar amount of research and experimental expenditures for which you elected to amortize over the 10-year period under section 59(e) must be reported on line 43 of Form 4562. Attach a statement that shows (a) a description of the costs; (b) the date amortization began; (c) the amortizable amount; (d) the applicable Code section; (e) the amortization period; (f) the accumulated amortization; and (g) the amortization amount for this year.

Line 44

Report the total amortization, including research and experimental expenditures paid or incurred in 2023 and prior years and the allowable portion of forestation or reforestation amortization, on the applicable

“Other Deductions” or “Other Expenses” line of your return. For partnerships and S corporations, report the amortizable basis of any forestation or reforestation expenses for which amortization is elected and the year in which the amortization begins as a separately stated item on Schedules K and K-1 (Form 1065 or 1120-S). See the instructions for Schedule K (Form 1065 or 1120-S) for more details on how to report.

Paperwork Reduction Act Notice. We ask for the information on this form to carry out the Internal Revenue laws of the United States. You are required to give us the information. We need it to ensure that you are complying with these laws and to allow us to figure and collect the right amount of tax.

You are not required to provide the information requested on a form that is subject to the Paperwork Reduction Act unless the form displays a valid OMB control number. Books or records relating to a form

or its instructions must be retained as long as their contents may become material in the administration of any Internal Revenue law. Generally, tax returns and return information are confidential, as required by section 6103.

The time needed to complete and file this form will vary depending on individual circumstances. The estimated burden for individual taxpayers filing this form is approved under OMB control number 1545-0074 and is included in the estimates shown in the instructions for their individual income tax return. The estimated burden for all other taxpayers who file this form is shown below.

Recordkeeping.....	27 hr., 44 min.
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Learning about the law or the form....	4 hr., 16 min.
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Preparing and sending the form to the IRS.....	4 hr., 55 min.
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If you have comments concerning the accuracy of these time estimates or suggestions for making this form simpler, we would be happy to hear from you. See the instructions for the tax return with which this form is filed.

Table A—General Depreciation System
Method: 200% declining balance switching to straight line
Convention: Half-year

Year	If the recovery period is:			
	3 years	5 years	7 years	10 years
1	33.33%	20.00%	14.29%	10.00%
2	44.45%	32.00%	24.49%	18.00%
3	14.81%	19.20%	17.49%	14.40%
4	7.41%	11.52%	12.49%	11.52%
5		11.52%	8.93%	9.22%
6		5.76%	8.92%	7.37%
7			8.93%	6.55%
8			4.46%	6.55%
9				6.56%
10				6.55%
11				3.28%

Table B—General Depreciation System
Method: 150% declining balance switching to straight line
Convention: Half-year

	If the recovery period is:							
Year	5 years	7 years	10 years	12 years	15 years	20 years		
1	15.00%	10.71%	7.50%	6.25%	5.00%	3.750%		
2	25.50%	19.13%	13.88%	11.72%	9.50%	7.219%		
3	17.85%	15.03%	11.79%	10.25%	8.55%	6.677%		
4	16.66%	12.25%	10.02%	8.97%	7.70%	6.177%		
5	16.66%	12.25%	8.74%	7.85%	6.93%	5.713%		
6	8.33%	12.25%	8.74%	7.33%	6.23%	5.285%		
7		12.25%	8.74%	7.33%	5.90%	4.888%		
8		6.13%	8.74%	7.33%	5.90%	4.522%		
9			8.74%	7.33%	5.91%	4.462%		
10			8.74%	7.33%	5.90%	4.461%		
11			4.37%	7.32%	5.91%	4.462%		
12				7.33%	5.90%	4.461%		
13				3.66%	5.91%	4.462%		
14							5.90%	4.461%
15							5.91%	4.462%
16							2.95%	4.461%
17						4.462%		
18						4.461%		
19						4.462%		
20						4.461%		
21						2.231%		

Table C—General Depreciation System

Method: Straight line

Convention: Mid-month

Recovery period: 27.5 years

The month in the 1st recovery year the property is placed in service:												
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	3.485%	3.182%	2.879%	2.576%	2.273%	1.970%	1.667%	1.364%	1.061%	0.758%	0.455%	0.152%
2–9	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
10,12,14,16,18, 20, 22, 24, 26	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%
11,13,15,17,19, 21, 23, 25, 27	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%
28	1.97%	2.273%	2.576%	2.879%	3.182%	3.485%	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%

Table D—General Depreciation System

Method: Straight line

Convention: Mid-month

Recovery period: 31.5 years

The month in the 1st recovery year the property is placed in service:												
Year	1	2	3	4	5	6	7	8	9	10	11	12
13,15,17,19,21, 23, 25, 27, 29, 31	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%
14,16,18,20,22, 24, 26, 28, 30	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%
32	1.720%	1.984%	2.249%	2.513%	2.778%	3.042%	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%

Table E—General Depreciation System

Method: Straight line

Convention: Mid-month

Recovery period: 39 years

The month in the 1st recovery year the property is placed in service:												
Year	1	2	3	4	5	6	7	8	9	10	11	12
1	2.461%	2.247%	2.033%	1.819%	1.605%	1.391%	1.177%	0.963%	0.749%	0.535%	0.321%	0.107%
2–39	2.564%	2.564%	2.564%	2.564%	2.564%	2.564%	2.564%	2.564%	2.564%	2.564%	2.564%	2.564%
40	0.107%	0.321%	0.535%	0.749%	0.963%	1.177%	1.391%	1.605%	1.819%	2.033%	2.247%	2.461%

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