Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation

► See instructions on back.

► If you use this form, attach it to your return.

1969

Name as shown on return | Identifying number

This is an optional form to be used as an attachment to an individual, partnership, fiduciary, or corporation return. The totals on line 2 below must be included on the corresponding lines of the regular depreciation schedule. Taxpayers must also complete the Summary of Depreciation provided on the applicable form or schedule.

The form is designed for taxpayers using the alternative guidelines and administrative procedures described in Revenue Procedures 62–21 and 65–13 as well as for those taxpayers who wish to continue using practices authorized prior to these revenue procedures. Taxpayers using Revenue Procedures 62–21 and 65–13: Make no entry in column 2, enter the cost or other basis of assets held at end of year in column 3, and enter the accumulated depreciation at end of year in column 4.

Note: Taxpayers may (1) group depreciable assets in accordance with the categories specified below or (2) continue to list assets in the same manner as in prior years.

1. Group and guideline class or description of property	2. Date acquired	3. Cost or other basis	4. Depreciation allowed or allowable in prior years	5. Method of computing depreciation	6. Life or rate	7. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) →						
Buildings						
Furniture and fixtures						
Transportation equipment						
Machinery and other equipment						
Other (specify)						
2 Totals						

These totals should also be included on the corresponding lines of your regular depreciation schedule. (For example: If depreciation applies to Schedule F (Form 1040), include the totals on Schedule F, Part III, line 54.)

Instructions

Depreciation

A reasonable allowance for the exhaustion, wear and tear, and obsolescence of property used in the trade or business, or of property held by the taxpayer for the production of income shall be allowed as a depreciation deduction. The allowance does not apply to inventories or stock-in-trade, nor to land, apart from the improvements or physical development added to it.

The cost (or other basis) to be recovered should be charged off over the expected useful life of the property. Similar assets may be grouped together as one item for reporting purposes.

In computing the basis on which depreciation may be taken for personal property other than livestock, you need not take into account salvage value that does not exceed 10 percent of the cost or other basis of the property. If the salvage value exceeds 10 percent, only the excess need be taken into account. These provisions apply to property acquired after October 16, 1962, and having a useful life of three years or more.

Alternative Depreciation Guidelines and Rules.—Revenue Procedure 62–21, dated July 12, 1962 (supplemented by Revenue Procedures 65–13 and 68–27), gives alternative standards and procedures for determining depreciation. The guideline lives for guideline classes (broad categories, not item-by-item) are, in most cases, substantially shorter than those used prior to Revenue Procedure 62–21. These guideline lives and rules apply to all depreciable property, including existing assets as well as new acquisitions. However, they do not supersede existing rules and procedures for any taxpayer who wishes to continue to use them. Taxpayers who wish to use these provisions must use them for all assets in a particular guideline class.

Depreciation Methods.—Following is a brief description of the various methods of depreciation which may be used under either Revenue Procedure 62–21 or previously prescribed rules and standards.

Straight Line Method.—To compute the deduction, determine the cost or other basis of the property and deduct the total depreciation allowed or allowable in prior years. Divide the result by the number of years of useful life remaining to the asset. The answer is the depreciation deduction.

Declining Balance Method.—A uniform rate is applied each year to the remaining cost or other basis of property determined at the beginning of the year, without adjustment for salvage value. However, depreciation must stop when the unrecovered cost is reduced to salvage value. The rate of depreciation for used property under this method may not exceed 1½ times the applicable straight line rate.

Special Rules for New Assets.—The cost or other basis of a new asset may also be depreciated under any of the following methods, provided that (a) the asset is tangible, (b) it has an estimated useful life of three years or more to the taxpayer, and (c) the original use of the asset commenced with the taxpayer.

(1) Declining balance method.—This method may be used with a rate not in excess of twice the applicable straight line rate.

(2) Sum of the years-digits method.—The deduction for each year is computed by multiplying the cost or other basis of the property (reduced by estimated salvage value) by the number of years of useful life remaining (including the year for which the deduction is computed), and dividing the product by the sum of all the digits corresponding to the years of the estimated useful life of the asset. In the case of a 5-year life, this sum would be 15 $(5+4+3+2+1)$. For the first year five-fifteenths of the cost reduced by estimated salvage value would be allowable; for the second year, four-fifteenths, etc.

(3) Other methods.—A taxpayer may use any consistent method which does not result at the end of any year in accumulated allowances greater than the total of the accumulated allowances which would have resulted from the use of the 200 percent declining balance method. This limitation applies only during the first two-thirds of the property's useful life.

Change in Method.—If you wish to change your method of computing depreciation, the tax treatment of salvage recoveries on sale, exchange, or other disposition of business property, or the tax treatment of additions or retirements from multiple asset accounts, you should file Form 3115 with the District Director's office. You must file within the first 90 days of the taxable year to which the change relates.

Additional First-Year Depreciation.—You may elect to write off in the year assets are first subject to depreciation, 20 percent of the cost of the assets (before adjustment for salvage value) if they are tangible personal property (e.g., equipment, machinery, etc.) acquired by purchase for use in a trade or business or to be held for the production of income. If the aggregate cost of these assets exceeds $10,000 ($20,000 for joint return), the additional depreciation is limited to $2,000 ($4,000 for joint return).

The additional depreciation is limited to property with a remaining useful life of six years or more and which was not acquired from a person (other than a brother or sister) whose relationship to the taxpayer would result in the disallowance of losses. Normal depreciation may also be taken on the cost of the asset, reduced by the first-year depreciation.

The total additional first-year depreciation for the year should be entered on the line provided in the depreciation schedule. It is not to be included on the line used to show the regular depreciation of an asset.

☆☆☆☆ U.S. GOVERNMENT PRINTING OFFICE : 1969—O-359-792 E.I. 25-1118272