Form **4562**

Department of the Treasury
Internal Revenue Service

Depreciation

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

1972

Name(s) as shown on return | Identifying number

This form may be used as an attachment to an individual, partnership, fiduciary, or corporation return. The totals on line 5 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.

Note: *If you elected the Class Life (ADR) System and/or the Guideline Class Life System this taxable year, check the applicable box(es) in the Note of "Schedule for Depreciation Claimed in Part II Above" section of Schedule E (Form 1040).*

a. Group and guideline class or description of property	b. Date acquired	c. Cost or other basis	d. Depreciation allowed or allowable in prior years	e. Method of computing depreciation	f. Life or rate	g. Depreciation for this year
1 Total additional first-year depreciation (do not include in items below) ▶						
2 Depreciation from Form 4832						
3 Depreciation from Form 5006						
4 Other depreciation:						
Buildings						

Form 4832 (Class Life (ADR) System) ing the cost or other basis of the prop

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. *Note: See "Limitation on Accelerated Depreciation for Used Section 1250 (Real) Property."*

Special Rules for New Assets.—You may also depreciate the cost or other basis of a new asset 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. *Note: See "Limitation on Accelerated Depreciation for New Section 1250 (Real) Property."*

(1) Declining balance method.—Use this method with a rate not in excess of twice the applicable straight line rate.

(2) Sum of the years-digits method.—Compute the deduction for each year 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 this year), 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.—You 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 may file Form 3115 with the District Director's office. You must file within the first 180 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. Do not include on the line used to show the regular depreciation of an asset.

Limitation on Accelerated Depreciation for New Section 1250 (Real) Property.—The double declining balance and sum of the years-digits methods may not be used except for (1) new residential rental property (from which at least 80% of the gross rental income is derived from rental of residential units), (2) other new real property acquired before July 25, 1969, and (3) new real property placed in service after July 24, 1969, if construction, acquisition, or permanent financing arrangements were entered into before July 25, 1969. Other new real property acquired after July 24, 1969, may be depreciated under the straight line or 150% declining balance methods.

Limitation on Accelerated Depreciation for Used Section 1250 (Real) Property.—Used residential rental property acquired after July 24, 1969, with a useful life of 20 years or more may be depreciated under the 125% declining balance method. In the case of used real property acquired before July 25, 1969, or used real property acquired after July 24, 1969, pursuant to a written contract entered into before July 25, 1969, for the acquisition of such property or for the permanent financing thereof, depreciation is limited to the 150% declining balance method. Other used real property acquired after July 24, 1969, may be depreciated under the straight line method.

Rehabilitation Expenditures for Low-Income Rental Housing.—A taxpayer may elect to compute the depreciation deduction under section 167(k) for rehabilitation expenditures incurred for low-income rental housing under the straight line method using a useful life of 60 months and no salvage value in lieu of any other method of computing depreciation. If this election is for property held by a partnership, the partnership must make the election. (The term "low-income rental housing" means any building the dwelling units in which are held for occupancy on a rental basis by families and individuals of low or moderate income, as determined by the Secretary or his delegate in a manner consistent with the policies of the Housing and Urban Development Act of 1968.)

Limitations.—The expenditures: (1) must not exceed $15,000 per dwelling unit in the building, and (2) must exceed $3,000 per unit over a period of two consecutive taxable years. This rapid write-off does not apply to motels, hotels, or other establishments where more than one-half of the units are rented on a transient basis.

Time and Manner of Making Election.—An election under section 167(k) shall be made by attaching a statement to the income tax return filed for the first taxable year in which the taxpayer computes the depreciation deduction using a 60-month useful life. In general, this election must be filed no later than the time prescribed by law (including extensions thereof) for filing the taxpayer's return for the taxable year in which the property is placed in service (see I.T. Regs. § 1.167(k)–4).

An information statement shall be attached to the income tax return for each subsequent taxable year in which the taxpayer computes depreciation under section 167(k).

Information Required for Election Year.—

(1) Taxpayer's name, address, and identification number.

(2) Description of property with respect to which an election is made, and the date such property was placed in service.

(3) Location and description of building being rehabilitated.

(4) Number of dwelling units in the structure, and the number of such units used on a transient basis (see I.T. Regs. § 1.167(k)–3(c)(2)).

(5) Date rehabilitation expenditures are incurred (see I.T. Regs. § 1.167(k)–1(a)(2)).

(6) Statement that all income certifications required by I.T. Regs. § 1.167(k)–3(b)(4) have been obtained.

(7) For each dwelling unit which the taxpayer seeks to qualify as low-income housing for purposes of the election under section 167(k):

(a) Rehabilitation expenditures allocated to such unit (see I.T. Regs. § 1.167(k)–2(d)),

(b) For each period of occupancy during the taxable year, the number of occupants, the maximum income level permissible under I.T. Regs. § 1.167(k)–3(b)(2) for that number of occupants, the adjusted income of the occupants of such unit (determined solely from the income certifications required by I.T. Regs. § 1.167(k)–3(b)(4)), and the rent charged for such unit, and

(c) For each period in which such unit is vacant during the taxable year, a description of each such unit (as to number of rooms), the low or moderate income level in that area for the number of persons occupying comparable units, and the rental at which each vacant unit is offered.

(8) If allocation is required under I.T. Regs. § 1.167(k)–2(d), the area occupied by dwelling units and nondwelling units.

(9) If applicable, statement of intent to fulfill $3,000 minimum amount limitation (see I.T. Regs. § 1.167(k)–4(a)(2)).

(10) If the taxpayer is treated as having paid or incurred expenditures by reason of I.T. Regs. § 1.167(k)–1(b), the amount of such expenditures, the date the expenditures were incurred, the date the property attributable to the expenditures was placed in service, the method of accounting used by the person that made the expenditures, and the purchase price for the property attributable to the expenditures.

Information Required for Subsequent Years.—For each taxable year in which depreciation is computed under section 167(k) after the taxable year of the election, the statement required by this section must state the rental charges for each occupied unit and the rental charge at which each vacant unit is offered. In addition, if any such unit is rented to a new tenant during the taxable year, such statement must also contain the following information:

(1) A statement that such tenant has signed an income certification (see I.T. Regs. § 1.167(k)–3(b)(4)),

(2) The number of occupants in the unit, the maximum income level permissible under I.T. Regs. § 1.167(k)–3(b)(2) for that number of occupants, and the total adjusted income of such occupants, determined solely from the income certifications required by I.T. Regs § 1.167 (k)–3(b)(4).

Definitions.—See section 167(k) and I.T. Regs. § 1.167(k)–3 for definitions of rehabilitation expenditures, low-income rental housing, dwelling unit, low or moderate income, and adjusted income.

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