

# Table of Contents

|  |          |
|--|----------|
| <b>Depreciation.....</b>   | <b>1</b> |
| Depreciation elements .....                                      | 2        |
| Depreciable basis.....   | 3        |
| Placed-in-service date.....                                      | 3        |
| MACRS depreciation.....  | 4        |
| GDS asset classes .....  | 4        |
| Depreciation methods .....                                       | 7        |
| Conventions.....   | 9        |
| Short-year depreciation .....                                    | 15       |
| General information.....   | 15       |
| Fiscal years .....   | 15       |
| Depreciation methods .....                                       | 16       |
| Half-year convention .....                                       | 16       |
| Mid-quarter convention .....                                     | 18       |
| Prorating depreciation between shareholder and corporation ..... | 19       |
| Repair versus improvement.....                                   | 20       |
| Costs of acquiring or producing tangible property .....          | 21       |
| Improving property .....   | 22       |
| Materials and supplies.....                                      | 25       |
| Depreciation of exchange property .....                          | 25       |
| Depreciation of excess basis.....                                | 26       |
| Depreciation of exchange basis.....                              | 26       |
| Listed property.....   | 29       |
| Vehicles.....  | 30       |
| Section 280F recapture .....                                     | 34       |
| Figuring the recapture amount for listed property .....          | 34       |

|   |    |
|---|----|
| Section 179 expensing election.....                                 | 35 |
| Qualifying property .....   | 36 |
| Business income limitation .....                                    | 40 |
| Carryover .....   | 41 |
| Partnerships and S corporations .....                               | 41 |
| Amending or revoking §179 deduction.....                            | 42 |
| Section 179 recapture.....  | 42 |
| Calculating the recapture amount.....                               | 43 |
| Bonus depreciation.....   | 43 |
| Qualifying property .....   | 44 |
| Acquisition requirements .....                                      | 45 |
| Placed-in-service period.....                                       | 45 |
| Claiming bonus depreciation .....                                   | 46 |
| Electing out of bonus depreciation .....                            | 47 |
| Alternative minimum tax .....                                       | 47 |
| Computing AMT depreciation.....                                     | 47 |
| Form 4562.....  | 50 |
| Part I: Section 179 expense deduction.....                          | 51 |
| Part II: Special depreciation allowance and other depreciation..... | 52 |
| Part III: MACRS depreciation.....                                   | 53 |
| Part IV: Summary .....  | 55 |
| Part V: Listed property.....  | 56 |
| Part VI: Amortization.....  | 59 |
| Missed depreciation .....   | 60 |
| Method of accounting .....  | 60 |
| Filing an amended return.....                                       | 61 |
| Changing accounting method .....                                    | 61 |
| Form 3115 .....   | 62 |
| §481(a) adjustment .....  | 63 |

|   |            |
|---|------------|
| <b>Sale of Business Assets .....</b>                            | <b>79</b>  |
| Form 4797.....  | 79         |
| Where to report .....   | 79         |
| Which code section applies?.....                                | 83         |
| Where to make first entry on Form 4797 .....                    | 86         |
| Recapture .....   | 87         |
| Section 1245 property.....                                      | 87         |
| Section 1250 property.....                                      | 88         |
| Unrecaptured §1250 gain .....                                   | 89         |
| Nonrecaptured net §1231 losses.....                             | 89         |
| Special situations.....   | 90         |
| Section 197 intangible assets.....                              | 90         |
| Installment sales.....  | 91         |
| Deferred payment sales.....                                     | 92         |
| Like-kind exchange .....  | 92         |
| Casualty gains and losses .....                                 | 92         |
| Section 1244 stock.....   | 93         |
| Livestock and farm products.....                                | 93         |
| What does not belong on Form 4797 .....                         | 94         |
| <b>Appendix .....</b>   | <b>100</b> |
| Appendix A: Table of class lives and recovery periods .....     | 101        |
| Appendix B: MACRS percentage tables .....                       | 111        |
| Appendix C: Vehicles with GVWRs in excess of 6,000 pounds ..... | 123        |
| <b>Index.....</b>   | <b>138</b> |