

F.A.Q.'S –DEPRECIATION SCHEDULES

Q: The IRS Publication 946 refers to a special depreciation method called a Section 179 Deduction. Can I use this instead of the MACRS tables?

A: No. The 179 deduction may be used for income tax reporting, but not personal property tax. You must use the MACRS classification tables and recovery periods which are described in that publication, Chapter 4.

Q: There are three columns in the tables of class life in Publication 946. Which one do we use?

A: The center column – identified as **GDS MACRS** is the correct one for personal property tax reporting. (**General Depreciation System – Modified Accelerated Cost Recovery System**)

Q: My accountant uses a different table or method on my income tax forms. Why can't we report the same way?

A: Income tax is not the same as personal property tax, for instance, assets are never fully depreciated for ad valorem (at value) taxation as they may be for income tax purposes. It does not matter what method your accountant uses for income tax; you must use the MACRS tables to report tangible personal property.

Q: I have an asset that I cannot find in the tables. How do I report it?

A: You will need to look at both Table B-1 and B-2 to find the correct recovery period. Generally, if the property is listed in Table B-1 you use the recovery period shown in that table. However, if the property is specifically listed in Table B-2 under the type of activity in which it is used, you use the recovery period listed under the activity in that table. Any asset not identified in any category should be declared in the 7 year recovery period.

Q: What goes in the column on the form called "Asset Class"?

A: This is the IRS number that identifies the type of property you are declaring. It may be found in Table B-2 (Table of Class Lives and Recovery Periods) in the IRS Publication 946. It is not a required entry on your declaration.