

**THANK YOU for contacting
Texas Solar Power Company**

SAMPLE PROPOSAL:

**Commercial Company in
Austin Energy Rebate Area**



By:

MARK RANGEL

**General Manager
Mechanical Engineer, E.I.T.**

512.459.9494 (o) & 512.826.4767 (c)

mark@txspsc.com

- **Executive Summary, TXSPC Info & Austin Energy Rebate Overview**
- **Proposal & Cost Analysis**
- **PV Watts & Environmental Impact Report**
- **Project Timeline & Design Plans**
- **Major Component Specifications**
- **Warranty, References & Insurance**
- **Incentive Documentation**
 - **Forms for participation in Austin Energy's rebate program**
 - **IRS For 3468 – Investment Credit**
 - **Federal 7 - Year Depreciation Schedule for Solar Energy Property**
 - **Solar Energy Device Franchise Tax Deduction**



1703 W. Koenig Lane Austin, TX 78756

Ph: 512.459.9494 Fax: 512.451.5934 Info@txspsc.com

June 1, 2009

RE: Executive Summary for Grid-tie Photovoltaic (PV) System

This is a SAMPLE PROPOSAL for a photovoltaic system. This particular system was designed for a “big box” retail store. Texas Solar Power Company (TXSPC) proposed a 23.6 kW system in order to take full advantage of Austin Energy’s solar rebate program.

A solar system clearly makes environmental sense by producing non-polluting, free, renewable energy. Over a 25-year period, this system will off-set the client’s carbon footprint by 20 tons of CO₂, or equal to effectively planting 35 acres of forest in Austin parks.

However, solar also makes economic sense. This system will produce 31.5 MWh of energy each year, saving the client \$3,373 in the first year of operation. Factoring in rebates and tax incentives, we estimate a payback period of 2 years and an overall yield of over a quarter million dollars in savings over a 25 year period.

This proposal includes a ballast mounting system to avoid penetrating existing flat- roof systems. Our mounting system is custom designed to ensure we do not exceed the existing roofing structure allowance for dead and live loads. The ballast pads are designed to withstand winds of up to 120 mph.

The PV modules we propose to install are 100% Made in the USA by SolarWorld. The SolarWorld SW175 is a mono-crystalline technology that yields one of the highest efficiency power outputs on the market today. Our DC to AC power conversion is designed into a bank of fifteen SMA SunnyBoy inverters. We feel multiple inverters vs. a single centralized inverter is the best design to meet your needs of reliability and maintenance ease.

We have also included a second optional proposal integrating the Sunny Webbox hardware and software package into the client's network. The monitoring system allows your customers and employees to see the real time power produced as well as the positive environmental impact that your company is making by going solar!

Texas Solar Power Company's turn-key services include the following:

- Electrical and structural engineering design
- Submission of solar rebate application and supporting documentation to Austin Energy's Rebate department & managing the process in receiving the Letter of Intent (LOI)
- Preparation and filing of all plans in order to obtain required permits
- Coordination with site management for appropriate start date and installation schedule
 - Coordination of final inspection with appropriate entities to close out all permits. (Note: Our proposal includes third party inspections)

Please review this SAMPLE PROPOSAL. We welcome the opportunity to talk with you about your particular needs and design a system that will meet your company's objectives. Please feel free to contact us with questions or for further information.

Sincerely,



Mark Rangel
General Manager

TEXAS SOLAR POWER COMPANY

1703 West Koenig Lane, Austin, Texas 78756
 Phone: (512) 459-9494 Fax: (512) 451-5934
 Toll Free: (866) 459-9494
 Web: txspc.com
 Email: info@txspc.com

Texas Solar Power Company (TXSPC) specializes in the design and installation of renewable energy systems. We provide an alternative, sustainable power source for residential, commercial and government clients. TXSPC offers outstanding service using high quality products delivered at competitive prices.



Photovoltaic (PV) is clean energy from the fuel source that belongs to all of us - the sun.



We carry everything you need for your renewable energy project. TXSPC is an authorized dealer of SolarWorld, Sharp Solar, and Kyocera modules as well as SMA and Fronius products. As technology in the renewable energy industry is dynamic, we are constantly evaluating new products and manufacturers to offer the best package to the environmentally and energy conscious public.



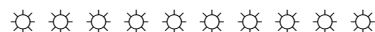
Our services are available around the world—wherever there is a need for photovoltaics.



Sales • Design • Installation

Owners Craig Overmiller, Architect, and Joe Garcia have been in the renewable energy field since 1995 helping home and business owners towards energy independence. The TXSPC team of designers and installers are committed to professional presentation and quality work.

Residential • Commercial



Texas Solar Power Company headquarters is a working example of integrating both a wind turbine as well as a hybrid grid-tie solar system.

- The 1st floor is an SMA Sunny Island grid-tie system with back- up batteries.
- The 3rd floor is an Outback stand-alone system.
- We also have two Air 403 wind generators on the roof for additional power.



Owner is
NABCEP Certified



At Texas Solar Power Company, YOU have the POWER.

TEXAS SOLAR POWER COMPANY

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Ph: 512.459.9494 Fax: 512.451.5934 Info@txspsc.com

PHOTOS OF SELECT INSTALLATIONS:



23.6 kW, Office Depot, 2620 Anderson Lane, Austin, Texas



23.2 kW, Legend Oaks Plaza, 6001 West William Cannon, Austin, Texas



23.1 kW, Sausalito Apartments, 4605 Avenue A, Austin, Texas



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18.2 kW, Shops at Silver Creek,
4005 Parmer Lane, Austin, Texas



23.5 kW, El Buen Samaritano
7000 Woodhue Drive, Austin, Texas



23.2 kW, Gracy Farms Center, 12001 Burnet Road, Austin, Texas



10.5 kW, VIA Metropolitan Transit, 1584
Cantrell Drive, San Antonio, Texas



900 watts, Mary Moore Seawright Metro
Park, 907 Slaughter Lane, Austin, Texas



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Solar Rebates

Austin Energy has one of the best rebate programs in the country to encourage solar installations in Austin. Please take a look at their website for full information: www.austinenergy.com. Check under "rebates." Below is a summary of program steps. If you are working with Texas Solar Power Company (TXSPC), we will handle the paperwork for you.

1. Submit a Site Survey Request to Austin Energy via austinenergy.com website.
2. Have a site pre-inspection by an Austin Energy Representative. At this inspection the representative will determine if your site qualifies for the rebate and the amount of wattage your site will support. A service upgrade may be required, which is an additional cost.
3. Contact an installer on the approved installer list at Austin Energy website for a bid.
4. Give a signed Rebate Application and a Renewable Energy Assignment Agreement to the installer, who will then send them to Austin Energy with a PV Watt Calculator Form.
5. Austin Energy will then send you a Letter of Intent (LOI), which will state system size and rebate amount. You must have an LOI before you can start your PV installation.
6. When your LOI arrives contact your PV Installer to schedule an installation.
7. Upon completion of the installation Austin Energy will perform a post inspection of your system to insure it meets program guideline requirements. The homeowner needs to be at this inspection. (NOTE: Modules and/or inverters installed may be different than proposed. This is due to availability of equipment. All equipment used shall meet Austin Energy Requirements.)
8. At the post inspection, you will be asked to assign the rebate to yourself or to your PV Installer. If you have the rebate go to yourself there are tax implications. You may be taxed for unearned income. We suggest that you check with your tax advisor.
9. Your out-of-pocket expense is the installation amount minus your rebate.
 - a. Austin Energy rebates the total DC watts X \$3.75 X inverter efficiency (ex. 95%).
 - b. The typical rebate for a 3 kW system will be approximately \$11,222.
 - c. The maximum rebate is \$50,000.00 for residential, \$100,000.00 for commercial or 80% of the total system cost, whichever is less.
10. It can take up to 5 weeks for your PV meter to be installed and your PV system turned on.
11. Your new meter will show Delivered Energy (DE), Received Energy (RE), and Net Energy (NE). Your PV system will have a separate meter so you can monitor system performance. There are two moving dashes on your Revenue Meter. If they are going to the right, you are buying power; if they are moving left, you are selling power at the wholesale rate. If within any month your PV system produces more energy than is needed on-site, Austin Energy will credit your bill based on the current fuel charge rate. GreenChoice® subscribers will be credited at the GreenChoice® rate.

If you have any questions about the program please contact Austin Energy or TXSPC at the above number.

Sincerely,
Craig M. Overmiller
Secretary / Treasurer

Proposal & Cost Analysis





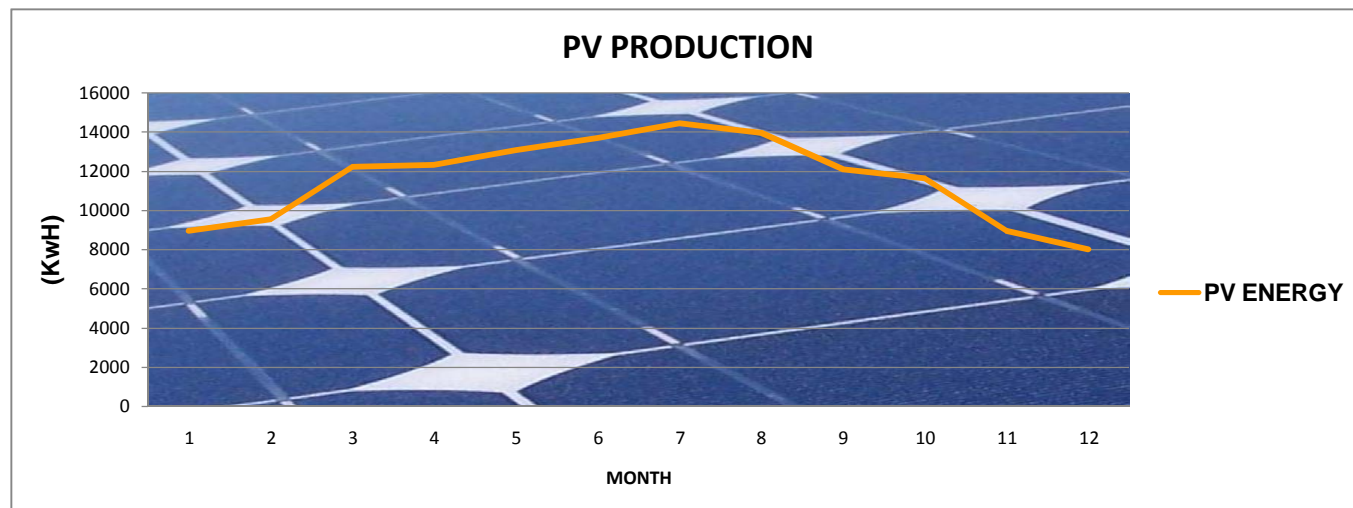
1703 W. Koenig Lane Austin, TX 78756

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PV PRODUCTION

Site's Specification	
City:	Austin
State:	Texas
Latitude:	30.30° N
Longitude:	97.70° W
Elevation:	189 m
PV System Specifications	
DC Rating:	23.6 kW
DC to AC Derate Factor:	0.77
AC Rating:	18.2
Array Type:	Fixed Tilt
Array Tilt:	15.0°
Array Azimuth:	180
Energy Specifications	
Cost of Electricity:	10.7 ¢/kWh

Month	Solar Radiation (kWh/m ² /day)	AC Energy (kWh)	Energy Value (\$)
1	3.79	2044	218.71
2	4.55	2180	233.26
3	5.29	2789	298.42
4	5.62	2788	298.32
5	5.89	2960	316.72
6	6.45	3088	330.42
7	6.67	3255	348.29
8	6.42	3149	336.94
9	5.65	2757	295.00
10	5.21	2643	282.80
11	4.06	2040	218.28
12	3.43	1837	196.56
Year	5.25	31530	3373.71



**PROPOSAL**

Proposal No.	90527
Terms (Days):	120

To:

Sample Proposal

Project:	Store No. 736 TURN-KEY PV SYSTEM		
Grid-tie System Output:			
23,625	Wdc	22,680	Wac
2,627	KWh/Mon	16.54	KW
31,527	KWh/Yr	\$3,373	Yr Saving

Item No.	Quantity	Description	Unit Price	Amount
1	24	1KW CARPORT MOUNT GRID-TIE PV SYSTEM	\$ 6,141.69	\$ 147,400.56
2		Components of this system includes:		\$ -
3		SolarWorld SW 175W Made in the USA		\$ -
4		SMA SunnyBoy 7000W Inverters		\$ -
5		AC/DC Safety Disconnects		\$ -
6		Electrical Distribution Equipment		\$ -
7		Electrical Material		\$ -
8		Carport Structures		\$ -
9		Engineering Design		\$ -
10		Labor		\$ -
11		Permitting		\$ -
12				\$ -
13				\$ -
14				\$ -
15				\$ -
16				\$ -

	Subtotal	\$ 147,400.56
Sales Tax	0.0825	\$ 12,160.55
	Total	\$ 159,561.11
	Austin Energy Rebate	\$ 85,050.00
	Customer's Out of Pocket	\$ 74,511.11
	Dollar per Watt	\$ 6.75

Terms Subject to Working Contract.

If you have any questions concerning this proposal, call:

Craig Overmiller, Secretary/Treasurer 512-459-9494

Please consult your tax advisor on all State & Federal incentives.



COST ANALYSIS

YEAR	COST	AE REBATE	FED TAX CREDIT	EQ. TAX DEPRECIATION SAVINGS	ENERGY SAVINGS	CASH FLOW	ROR
1	\$ (159,561.11)	\$ 85,050.00				\$ (74,511.11)	
2			\$ 47,868.33	\$66,673.75	\$ 3,373.39	\$ 43,404.36	74%
3				\$10,583.13	\$ 3,542.06	\$ 57,529.56	9%
4				\$9,071.26	\$ 3,719.16	\$ 70,319.98	8%
5				\$7,775.36	\$ 3,905.12	\$ 82,000.46	7%
6				\$12,752.37	\$ 4,100.38	\$ 98,853.21	11%
7				\$12,752.37	\$ 4,305.40	\$ 115,910.98	11%
8				\$12,752.37	\$ 4,520.67	\$ 133,184.02	11%
9					\$ 4,746.70	\$ 137,930.72	3%
10					\$ 4,984.03	\$ 142,914.75	3%
11					\$ 5,233.24	\$ 148,147.99	3%
12					\$ 5,494.90	\$ 153,642.88	3%
13					\$ 5,769.64	\$ 159,412.52	4%
14					\$ 6,058.12	\$ 165,470.65	4%
15					\$ 6,361.03	\$ 171,831.68	4%
16					\$ 6,679.08	\$ 178,510.76	4%
17					\$ 7,013.04	\$ 185,523.79	4%
18					\$ 7,363.69	\$ 192,887.48	5%
19					\$ 7,731.87	\$ 200,619.35	5%
20					\$ 8,118.47	\$ 208,737.82	5%
21					\$ 8,524.39	\$ 217,262.21	5%
22					\$ 8,950.61	\$ 226,212.82	6%
23					\$ 9,398.14	\$ 235,610.95	6%
24					\$ 9,868.05	\$ 245,479.00	6%
25					\$ 10,361.45	\$ 255,840.45	6%

SHORTCUT
2 YEAR PAYBACK
\$256K ACCUMALATED SAVING @ 25 YRS
9% AVERAGE ROR OVER 25 YRS

NOTES:

EQUIPMENT DEPRECIATION SAVINGS BASED UPON AN ASSUMPTION OF 35% TAX BRACKET

EQUIPMENT DEPRECIATION SAVINGS BASED UPON TOTAL COST MINUS FED TAX CREDIT

ENERGY SAVINGS IS BASED UPON THE ASSUMPTION THE COST OF ENERGY WILL INCREASE 5% EACH YEAR EXPONENTIALLY

ADDITIONAL SAVINGS CAN BE SAVED THROUGH A STATE FRANCHISE TAX CREDIT

ENCLOSED IS SUPPORTING DOCUMENTATION

**PROPOSAL**

Proposal No.	90529
Terms (Days):	120

To:

Sample
Proposal

Project: PV SYSTEM MONITORING

MONITORING SYSTEM TO BE DISPLAYED IN BLDG 1

OPTIONAL

Item No.	Quantity	Description	Unit Price	Amount
1	1	SMA SUNNY WEBBOX	\$ 627.88	\$ 627.88
2	1	PHILLIPS 42" 42PFL5704D/F7 2MS LCD HDTV	\$ 949.00	\$ 949.00
3	1	DATA CABLE & CONDUIT	\$ 1,440.00	\$ 1,440.00
4	15	SMA RS485 MODULE	\$ 102.40	\$ 1,535.94
5				\$ -
6				\$ -
7				\$ -
8				\$ -
9				\$ -
10				\$ -
11				\$ -
12				\$ -
13				\$ -
14				\$ -
15				\$ -
16	1	LABOR	\$ 1,500.00	\$ 1,500.00
			Subtotal	\$ 6,052.82
			Sales Tax 0.0825	\$ 499.36
			Total	\$ 6,552.17

Terms Subject to Working Contract.

If you have any questions concerning this proposal, call:

Please consult your tax advisor on all State & Federal incentives.

PV Watts & Environmental Impact Report





A Performance Calculator for Grid-Connected PV Systems

NREL's PVWattsTM calculator determines the energy production and cost savings of grid-connected photovoltaic (PV) energy systems throughout the world. It allows homeowners, installers, manufacturers, and researchers to easily develop estimates of the performance of hypothetical PV installations.

The PVWatts calculator works by creating hour-by-hour performance simulations that provide estimated monthly and annual energy production in kilowatts and energy value. Users can select a location and choose to use default values or their own system parameters for size, electric cost, array type, tilt angle, and azimuth angle. In addition, the PVWatts calculator can provide hourly performance data for the selected location.

Using typical meteorological year weather data for the selected location, the PVWatts calculator determines the solar radiation incident of the PV array and the PV cell temperature for each hour of the year. The DC energy for each hour is calculated from the PV system DC rating and the incident solar radiation and then corrected for the PV cell temperature. The AC energy for each hour is calculated by multiplying the DC energy by the overall DC-to-AC derate factor and adjusting for inverter efficiency as a function of load. Hourly values of AC energy are then summed to calculate monthly and annual AC energy production.

The PVWatts calculator is available in two versions. Version 1 allows users to select a location from a map or text list of pre-determined locations throughout the world. Version 2 allows users to select any location in the United States.

The PVWatts calculator was developed by NREL's Electric Systems Center Resource Integration Section.



**AC Energy
&
Cost Savings**



Station Identification	
City:	Austin
State:	Texas
Latitude:	30.30° N
Longitude:	97.70° W
Elevation:	189 m
PV System Specifications	
DC Rating:	23.6 kW
DC to AC Derate Factor:	0.770
AC Rating:	18.2 kW
Array Type:	Fixed Tilt
Array Tilt:	15.0°
Array Azimuth:	180.0°
Energy Specifications	
Cost of Electricity:	10.7 ¢/kWh

Results			
Month	Solar Radiation (kWh/m ² /day)	AC Energy (kWh)	Energy Value (\$)
1	3.79	2044	218.71
2	4.55	2180	233.26
3	5.29	2789	298.42
4	5.62	2788	298.32
5	5.89	2960	316.72
6	6.45	3088	330.42
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8	6.42	3149	336.94
9	5.65	2757	295.00
10	5.21	2643	282.80
11	4.06	2040	218.28
12	3.43	1837	196.56
Year	5.26	31527	3373.39

Output Hourly Performance Data

*

Output Results as Text

[About the Hourly Performance Data](#)

[Saving Text from a Browser](#)

Run [PVWATTS v.1](#) for another US location or an International location
Run [PVWATTS v.2](#) (US only)

Please send questions and comments regarding PVWATTS to [Webmaster](#)

[Disclaimer and copyright notice](#)






[Return to RReDC home page \(http://rredc.nrel.gov\)](http://rredc.nrel.gov)

Annual Environmental Impact: Sample Proposal

Energy Efficiency Projects 31,527 annual kWh savings
31,527 **Total kiloWatt-hour Savings each Year**

Air Pollution	Saved this much Carbon Dioxide (CO ₂) from being emitted:	<u>18,540</u> Kg. or <u>40,788</u> pounds or <u>20</u> tons of CO ₂
	Saved this much Sulfur Dioxide (SO ₂) from being emitted:	<u>12</u> Kg. or <u>26</u> pounds or <u>0.01</u> tons of CO ₂
	Saved this much Nitrogen Oxides (NOX) from being emitted:	<u>13</u> Kg. or <u>28</u> pounds or <u>0.01</u> tons of NOX
	Saved this much Volatile Organic Compounds (VOC) from being emitted:	<u>0</u> Kg. or <u>1</u> pounds of VOC
	Saved this much Total Suspended Particulants (TSP) from being emitted:	<u>2</u> Kg. or <u>3</u> pounds of TSP
	Saved this much Carbon Monoxide (CO) from being emitted:	<u>9</u> Kg. or <u>20</u> pounds or <u>0.01</u> tons of CO
Total		<u>18,576</u> <u>40,866</u> <u>20</u>

Toxic Metals Pollution	Saved this much Mercury (Hg) from being emitted:	<u>248.7</u> mg. or <u>0.00</u> pounds or <u>0.01</u> ounces of Hg
	Saved this much Cadmium (Cd) from being emitted:	<u>11.3</u> mg. or <u>0.00</u> pounds or <u>0.00</u> ounces of Cd
	Saved this much Lead (Pb) from being emitted:	<u>368.1</u> mg. or <u>0.00</u> pounds or <u>0.01</u> ounces of Pb

These projects effectively planted		<u>699</u> trees or <u>35</u> acres of forest in Austin's parks.
These projects effectively removed		<u>35,802</u> Vehicle Miles or <u>4</u> cars from Austin's busy roadways.
These projects effectively provided electricity to		<u>3</u> average homes in Austin for a year.

Source of data: "Pollutant Emission Rates for the City of Austin Electric Utility" (rev. 02/20/03).

Water conservation at generation power plant (evaporation only)	<u>14,187</u> Gallons	
Water conservation if air conditioned and cooling tower exists	<u>24,659</u> Gallons costing	\$ <u>238.20</u>

Project Timeline of Installation 23.6KW PV Systems

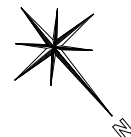
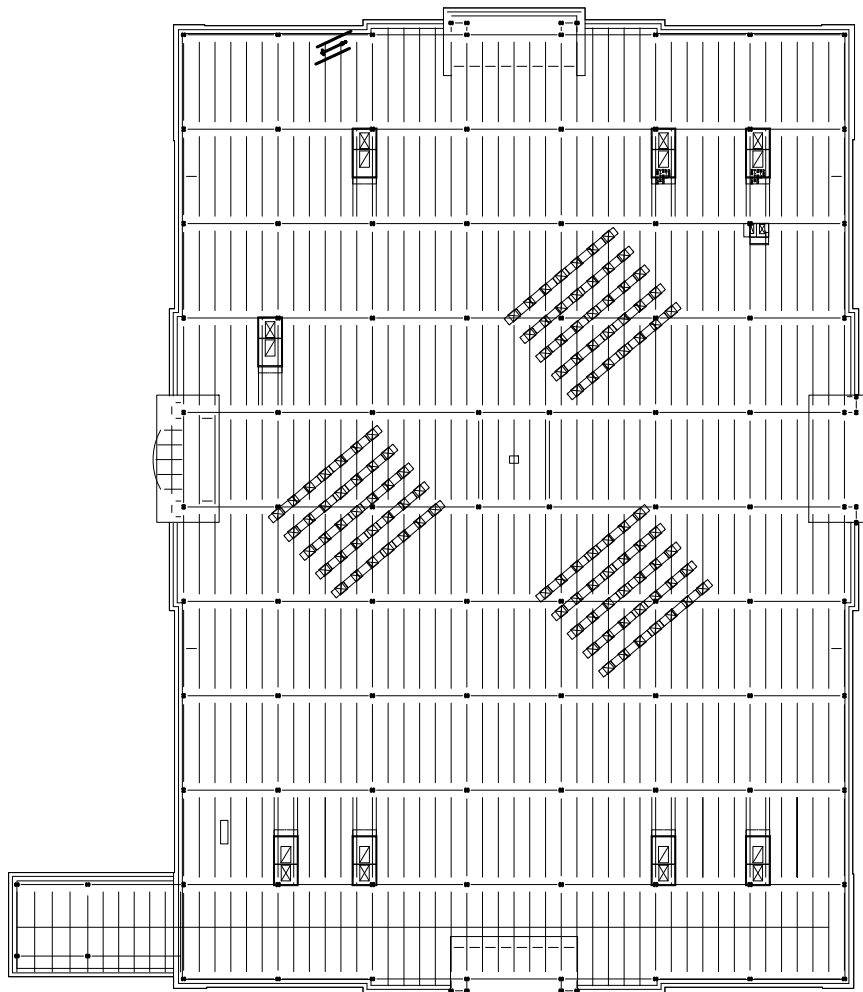
TASKS	Day 1	Day 2	Day 3	Day 4	Day 5	Day 6	Day 7	Day 8	Day 9	Day 10	Day 11	Day 12
Material Procurement & Delivery												
Inverters Install												
Prep site material												
Survey Piers & Bld. Rebar Cages												
AC Electrical												
Delivery Strut & Prep												
Dir Piers & Frame												
Core Concrete Wall												
Set Interconnection Breaker												
Clean-up												
3rd Party Inspection LOC Eng.												
Pump & Pour Concrete												
3rd Party Inspection LOC Eng.												
Set Concrete Anchors												
Set Stand Offs												
Build Rack & Inventory Modules												
Install PV Panels												
DC Conduit & Wiring												
Debug												
Test & Inspect												
City Electrical Inspection												

Legend	
Task	
In-progress	
Complete	

This timeline will be sent everyday at 4:30 PM.

Design Plans

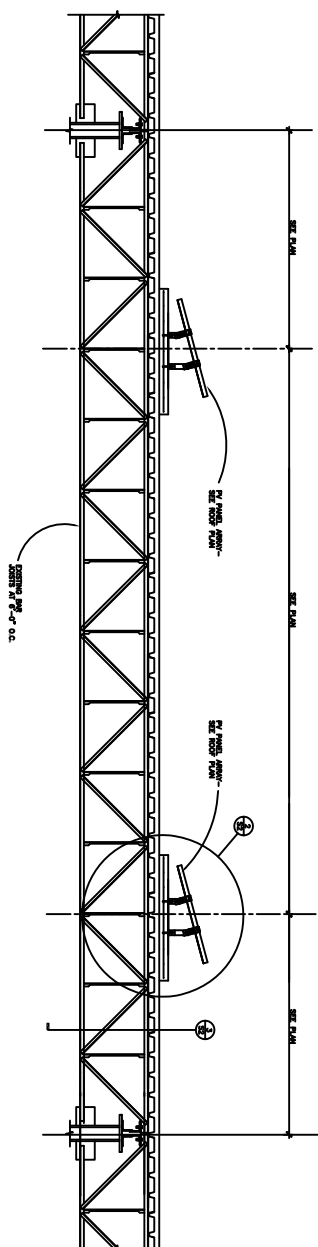




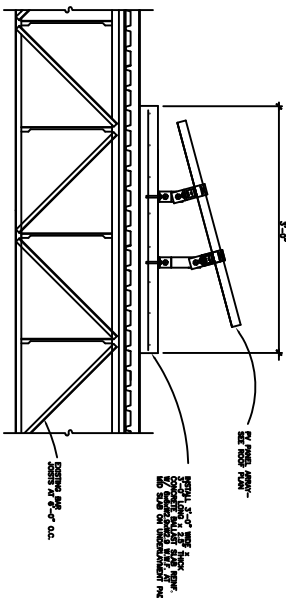
240 SOUTH – FLAT SINGLE PLY ROOF MEMBRAIN

135 X 175 W SOLARWORLD MODULES @ 15DEG TILT

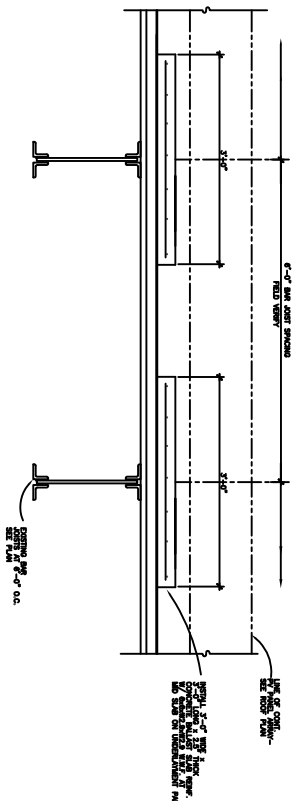
1. ROOF SECTION A-A



2. DETAILED SECTION AT PV PANEL SUPPORT- SIDE VIEW



3. DETAILED SECTION AT PV PANEL SUPPORT- FRONT VIEW



loc consultants
 Civil, Structural and Environmental Engineers
 1703 West Koenig Lane
 Austin, Texas 78756
 Tel: 512-459-9494
 Fax: 512-459-9495
 www.locconsultants.com

Texas Solar Power Company
 Phone: 1703 West Koenig Lane
 459-9494 Austin, Texas 78756

Grid Tie PV System

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 Drawn By: PRO

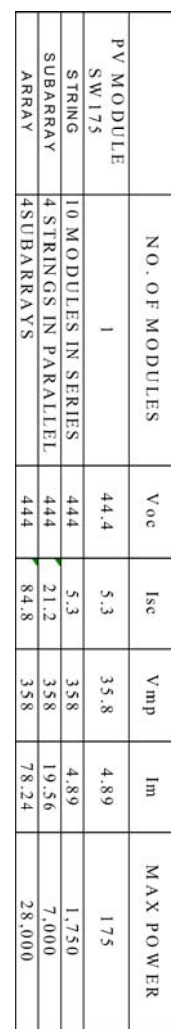
REV: 5/22/08
 Date: 5/20/08

DRAWING NO.

Sht 2 of 2

GENERAL NOTES

1. INSTALLATION SHALL BE ACCORDING TO THE NATIONAL ELECTRIC CODE AND ALL STATE AND LOCAL STANDARDS AND CODES.
2. ALL ELECTRICAL MATERIALS, DEVICES, APPLIANCES, MOUNTINGS, SWITCHES AND LOAD CENTERS AS PER THE NATIONAL ELECTRICAL CODE.
3. ALL electrical work shall comply & be inspected by Texas State Power Co., Licensee Master Electrician, & Austin Energy.
4. (2) Lighting Arrestors 600/66/100,000A Delta L42001 - installed w/ both DC
5. (1) Surge Protector 240V/6/5,000A Delta L42008 - installed line side of inverter
6. PROVIDE a local center
7. PROVIDE a local center
8. PROVIDE a local center
9. PROVIDER IS RESPONSIBLE FOR FIELD OBSERVATION OF EXISTING ELECTRICAL LAYOUT & IS RESPONSIBLE FOR PROVIDING INSTALLATION IS PER NEC & MANUFACTURER'S DESIGN SPEC.

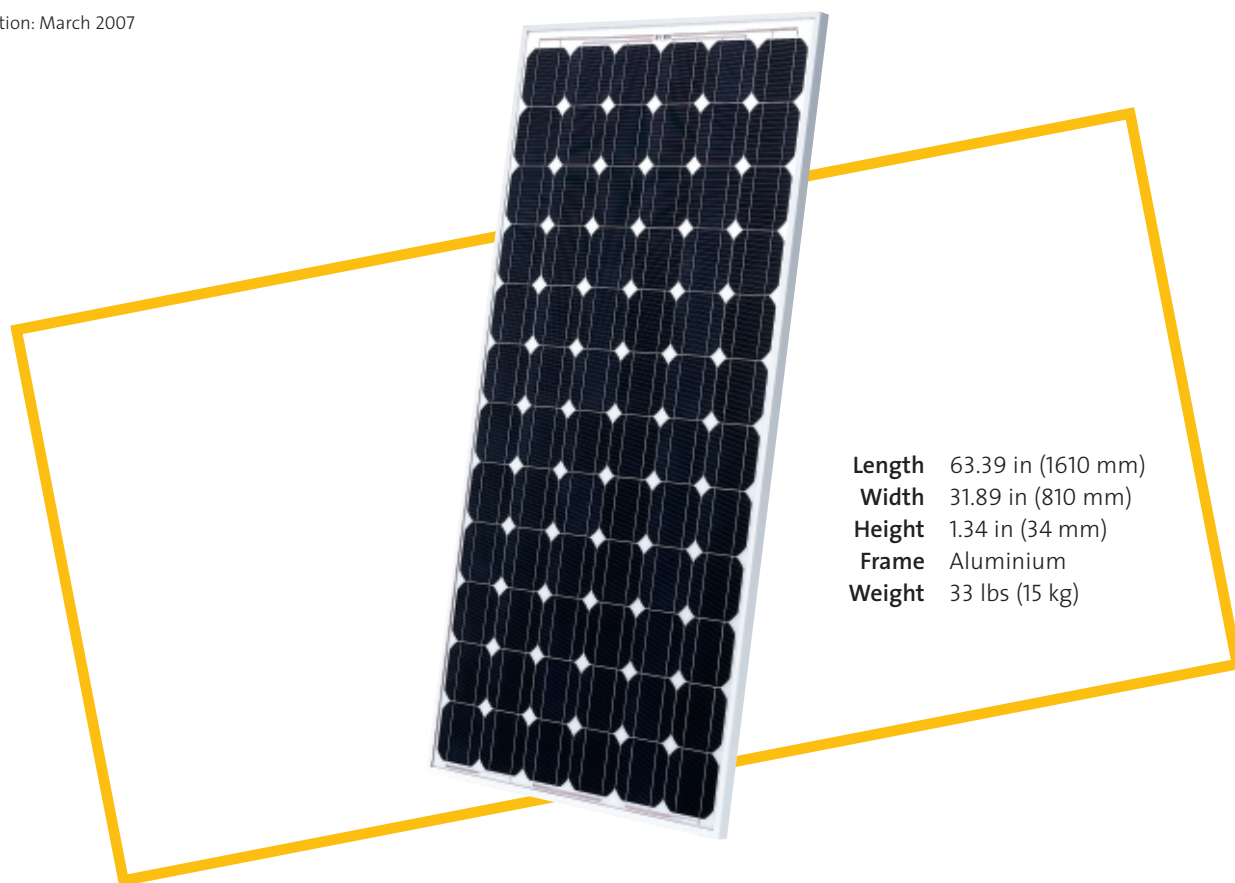


NOTES
1 P.V. Arrays: (3) arrays / (5) strings per array of (8) modules in series - (135) SolarW ords SW
2 PV Combiner: (15) 10A Busw KTR-600V, (2) Positive & Negative Isolated Mech. Lugs, (1) Grd. Lug included in NEMA 4 J-box
3 (2) DC Safety Disconnect (SMA Integrated Switch) NEMA 4
4 (3) SMA SB7080US DC/AC Inverter: 277V / 55A NEMA 4 UL 1741/1998
5 Inverter Combiner: 125A, 3-Pole Main Lug Only NEMA 3R (3) 40A 1-Pole Breakers
6 PV Meter 200A Three Phase
7 AC Safety Disconnect: 3-Pole, 60A/600V Non-fused NEMA 3R
8 Panelboard -PRL-1-1600A 480V/277V, MLO-1800A 3-Phase Breaker to PNLB0-A-
9 Panelboard -MDP-1-1600A 480V/277V, MLO-1800A 3-Phase Breaker to PNLB0-A-
10 AC Ground Service Disconnect: 1600A 480V/277V
11 CT Cabinet
12 Utility Transformer 480V/277V, 3-Phase 4W SEC
13 CT Meter

Wire Schedule	Distance
A #10 U.S.E.-2, 30 COND., #8 G. Bare	150 ft
B #3 THWN-2, 6 COND., #4 G, 2" EMT	100 ft
C #6 THWN-2, 3 COND., #6 G, 3/4" EMT	20 ft
D #8 THWN-2, 3 COND., #8 G, 3/4" EMT	20 ft
E #6 THWN-2, 4 COND., #6 G, 1" EMT	75 ft
F #4 G, BOND COPPER 24"X24" PLATE	15 ft
G #1/0 (4) COND., #6 G, 1-1/2" EMT	EXIST
H (2) 350 kcmil (4) COND., #1 G, 3" EMT	EXIST
I (2) 350 kcmil (4) COND, 3" EMT	EXIST

Component Specs.





Sunmodule

SW 155/165/175 mono

The Sunmodule Plus heralds an innovative new module concept from SolarWorld AG. The fully automated production process at the SolarWorld factories creates a quality of module that is consistently high, which in turn will ensure high yields for the long term.

The module frame and the glass it surrounds are firmly attached to each other by silicone that is applied with continuous precision. This guarantees exceptional rigidity for the entire module and stops any possible loosening of the frame as a result of strong outward forces in cases such as sliding of heavy snow. Tests carried out in accordance with IEC 61215, applying loads up to 5.4 kN/m², confirm that the module can withstand heavy accumulations of snow and ice.

The patented, flat and compact junction box provides perfect protection against corrosion, as well as a capacity to rapidly rid itself of any excess heat providing high temperature handling. The junction box is reliably connected by a solid, welded bond to guarantee lasting functionality. In addition, high-quality, robust cables with factoryequipped connectors are used. The ability to recycle the modules and a 25-year performance warranty are the finishing touches to this top-quality concept.



Sunmodule

SW 155/165/175 mono

Performance under standard test conditions

		SW 155	SW 165	SW 175
Maximum power	P_{max}	155 Wp	165 Wp	175 Wp
Open circuit voltage	V_{oc}	43.6 V	44.0 V	44.4 V
Maximum power point voltage	V_{mpp}	34.8 V	35.3 V	35.8 V
Short circuit current	I_{sc}	4.90 A	5.10 A	5.30 A
Maximum power point current	I_{mpp}	4.46 A	4.68 A	4.89 A

Performance at 800 W/m², NOCT, AM 1.5

		SW 155	SW 165	SW 175
Maximum power	P_{max}	110.8 Wp	118.0 Wp	125.1 Wp
Open circuit voltage	V_{oc}	39.4 V	39.8 V	40.2 V
Maximum power point voltage	V_{mpp}	31.2 V	31.6 V	32.1 V
Short circuit current	I_{sc}	4.05 A	4.22 A	4.38 A
Maximum power point current	I_{mpp}	3.55 A	3.73 A	3.90 A

Minor reduction in efficiency under partial load conditions at 25°C: at 200 W/m², 95% (+/- 3%) of the STC efficiency (1000 W/m²) is achieved.

Component materials

Cells per module	72
Cell type	monocrystalline silicon
Cell dimensions	125 x 125 mm ²

System integration parameters

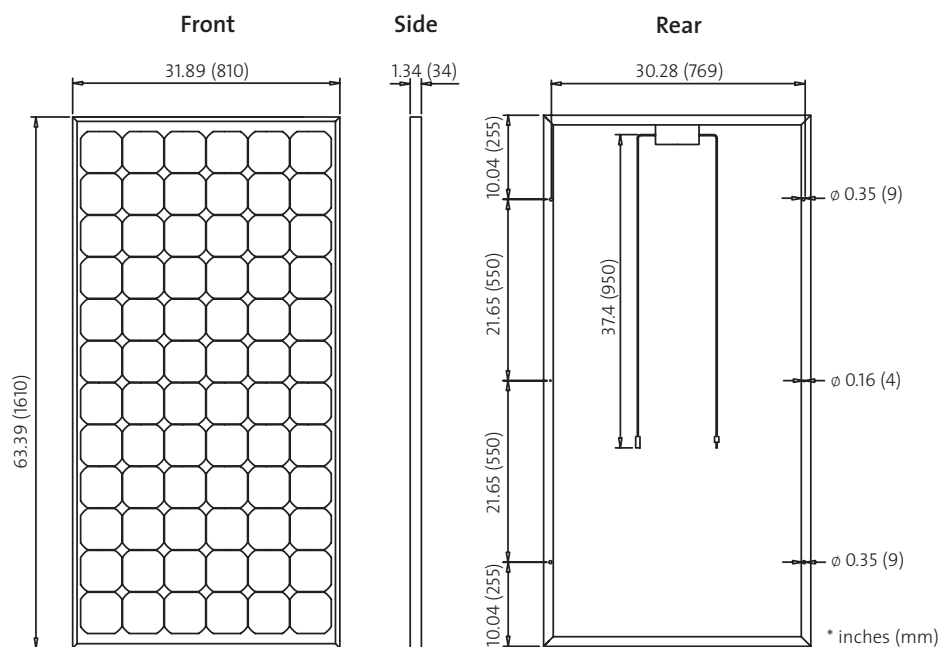
Maximum system voltage SC II	1,000 V _{DC}
Maximum system voltage USA NEC	600 V _{DC}
Maximum series fuse rating	15 A

Thermal characteristics

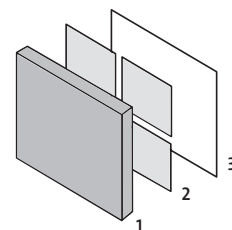
NOCT	46°C
TC I_{sc}	0.036 %/K
TC V_{oc}	-0.33 %/K

Additional data

Power tolerance	+/- 3 %
Junction box	IP 65
Connector	MC type 4



Construction



- 1] Front: tempered glass
- 2] crystalline solar cells embedded in EVA (ethylene-vinyl-acetate)
- 3] Rear: Tedlar

Modules certified in accordance with:



SolarWorld AG reserves the right to make specification changes without notice.
This data sheet complies with the requirements of EN 50380.

- > Certified to the new UL 1741/IEEE 1547
- > 10 yr. standard warranty
- > Highest CEC efficiency in its class
- > Integrated load-break rated AC and DC disconnect switch
- > Integrated fused series string combiner
- > Sealed electronics enclosure & Opticool
- > Comprehensive SMA communications and data collection options
- > Ideal for residential or commercial applications
- > Sunny Tower compatible



Sunny Boy 5000 / 6000 / 7000

The best in their class

SMA is proud to introduce our new line of inverters updated with our latest technology and designed specifically to meet the new IEEE 1547 requirements. The SB6000U and SB7000U are also compatible with SMA's new Sunny Tower. Increased efficiency means better performance and shorter payback periods. All three models are field-configurable for positive ground systems making them more versatile than ever. With over 500,000 fielded units, Sunny Boy has become the benchmark for PV inverter performance and reliability throughout the world.

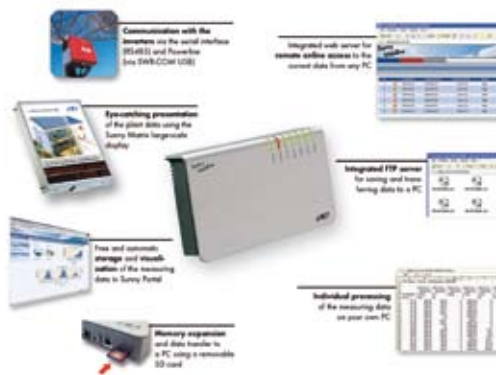
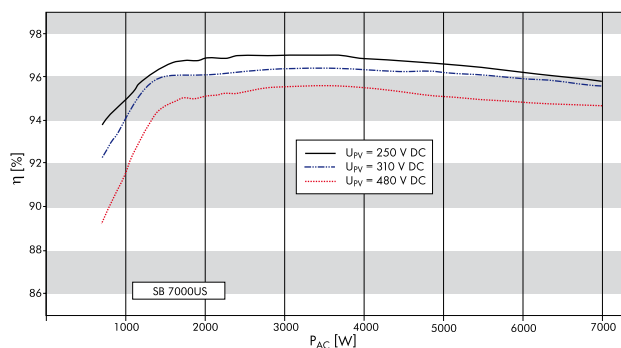


Technical Data

Sunny Boy 5000 / 6000 / 7000

	SB 5000US	SB 6000US	SB 7000US
Input Data (DC)			
Max. Recommended Array Input Power (DC @ STC)	6250 W	7500 W	8750 W
Max. DC Voltage	600 V	600 V	600 V
Peak Power Tracking Voltage	250 - 480 V	250 - 480 V	250 - 480 V
DC Max. Input Current	21 A	25 A	30 A
DC Voltage Ripple	< 5%	< 5%	< 5%
Number of Fused String Inputs	4	4	4
PV Start Voltage (adjustable)	300 V	300 V	300 V
Output Data (AC)			
AC Nominal Power	5000 W	6000 W	7000 W
AC Maximum Output Power	5000 W	6000 W	7000 W
AC Maximum Output Current (@ 208, 240, 277 V)	24 A, 20.8 A, 18 A	29 A, 25 A, 21.6 A	34 A, 29 A, 25.3 A
AC Nominal Voltage / Range	183 - 229 V @ 208 V	183 - 229 V @ 208 V	183 - 229 V @ 208 V
	211 - 264 V @ 240 V	211 - 264 V @ 240 V	211 - 264 V @ 240 V
	244 - 305 V @ 277 V	244 - 305 V @ 277 V	244 - 305 V @ 277 V
	60 Hz / 59.3 Hz - 60.5 Hz	60 Hz / 59.3 Hz - 60.5 Hz	60 Hz / 59.3 Hz - 60.5 Hz
AC Frequency / Range	60 Hz / 59.3 Hz - 60.5 Hz	60 Hz / 59.3 Hz - 60.5 Hz	60 Hz / 59.3 Hz - 60.5 Hz
Power Factor	1	1	1
Efficiency			
Peak Inverter Efficiency	96.8 %	97.0 %	97.1 %
CEC weighted Efficiency	95.5 % @ 208 V	95.5 % @ 208 V	95.5 % @ 208 V
	95.5 % @ 240 V	95.5 % @ 240 V	96.0 % @ 240 V
	95.5 % @ 277 V	96.0 % @ 277 V	96.0 % @ 277 V
Mechanical Data			
Dimensions W x H x D in inches	18.4 x 24.1 x 9.5	18.4 x 24.1 x 9.5	18.4 x 24.1 x 9.5
Weight / Shipping Weight	143 lbs / 154 lbs	143 lbs / 154 lbs	143 lbs / 154 lbs
Ambient temperature range	-13 to +113 °F	-13 to +113 °F	-13 to +113 °F
Power Consumption: standby / nighttime	< 7 W / 0.25 W	< 7 W / 0.25 W	< 7 W / 0.25 W
Topology	PWM, true sinewave, current source	PWM, true sinewave, current source	PWM, true sinewave, current source
Cooling Concept	Convection with regulated fan cooling	Convection with regulated fan cooling	Convection with regulated fan cooling
Mounting Location Indoor / Outdoor (NEMA 3R)	● / ●	● / ●	● / ●
Features			
LCD Display	●	●	●
Lid Color: aluminum / red / blue / yellow	● / ○ / ○ / ○	● / ○ / ○ / ○	● / ○ / ○ / ○
Communication: RS485 / Wireless	○ / ○	○ / ○	○ / ○
Warranty: 10-year	●	●	●
Compliance: IEEE-929, IEEE-1547, UL 1741, UL 1998, FCC Part 15 A & B	●	●	●
Specifications for nominal conditions	● Included ○ Option — Not available		

Efficiency Curves



Solar System Data Technology

Inverter Type Transmission Method Communication Options Data Viewing Options

Sunny Boy

Wireless

RS485

Sunny Island

RS485

Windy Boy

Wireless

RS485

Sunny Central

RS485

TCP/IP

Wireless
Wireless, convenient data transmission. Distance up to 300 ft. outdoors, monitor up to 4 Sunny Boy inverters per Sunny Beam.

TCP/IP
Connection over existing Ethernet network infrastructure for LAN/WAN

RS485
Reliable data transmission for complete, continuous data recording. Distance up to 3600 ft. and up to 50 inverters.

USB
Distance up to 15 ft. from the Sunny Beam to a PC running Sunny Data Control software.

Sunny WebBox

TCP/IP

RS485

Data logger with a direct interface to Sunny Portal. The professional solution for medium to large systems with the option to connect external sensors.

Sunny Boy Control Plus

TCP/IP

RS485

The stand-alone data logger for small to large-sized systems with options to connect external sensors.

Sunny Beam

Wireless

USB

Wireless monitoring of your Sunny Boy solar system's performance data.

Sunny Data Control

TCP/IP

RS485 *

USB

The software solution for displaying data on your PC from Sunny Boy Control, Sunny Beam or Sunny Boy inverters directly.

*May require RS485/RS232 protocol converter.

Internet - Sunny Portal

The powerful internet portal for your renewable energy system. Visit www.sunnyportal.com

E-mail

Receive e-mail with production data, daily, weekly or monthly status reports and error message reports.

SMS

SMS text messages via e-mail / SMS service.

LCD

Sunny Data Control

Sunny WebBox

Sunny Boy Control with NET Piggy-Back

Sunny WebBox

Sunny Boy Control with NET Piggy-Back

Sunny WebBox

Sunny Boy Control with NET Piggy-Back

Standard

Warranties, References & Insurance





1703 W. Koenig Lane

Austin, TX 78756

Phone:(512) 459-9494 Fax:(512) 451-5934 Email:Info@txspc.com

WARRANTIES

Solar Panels

25 Year Prorated Warranty

Charge Controller

2 Year Limited Warranty

Inverter

10 Year Limited Warranty

Batteries

As per Manufacturer

Installation

5 Year Unlimited Labor and Material

Texas Solar Power Company will extend all manufacturer warranties for a period of five years from the date of system acceptance by Austin Energy.

(Excluding Batteries and Charge controllers)

If for any reason any equipment fails during this five year period Texas Solar Power Company will replace or repair at no cost to the Austin Energy Customer. This warranty is transferable in the event of sale of home or office.

EMERGENCY PHONE NUMBERS

Office Address: 1703 West Koenig Lane
Austin, Texas 78756

Office Hours

Monday through Friday 9:00 a.m. to 6:00 p.m.

Office Phone: 512-459-9494

Fax: 512-451-5934

Toll Free: 866-459-9494

Craig Overmiller

Residence: 512-477-9996

Cell Phone: 512-632-3237

Email: craig@txspc.com

Joe Garcia

Residence: 512-282-9085

Cell Phone: 512-789-3477

Email: joe@txspc.com



1703 W. Koenig Lane Austin, TX 78756

Ph: 512.459.9494 Fax: 512.451.5934 Info@txspsc.com

COMMERCIAL REFERENCES:

Iron Knot Retreat Center

Michael Bradfute

Phone: 505-301-3388

21.1 KW PV

4 Outback 3648 Inverters

64 Deka Solar 8A8D Batteries

Community Clinical Research

Dr. David Brown

Phone: 512-323-2622

20 KW PV

4 Fronius 5100 IG Inverters

2 Outback 3648 Inverters

16 Trojan 8A8D Batteries

Alori Properties

Jason Aldridge

409 West 38th Street

Phone: 512-452-3690

Total 215 KW

Trinity Episcopal School

Dale Blankenship 512-472-9525

3901 Bee Caves Rd.

23.6 KW PV

3 7KW SMA Inverters

El Buen Samaritano Episcopal Mission

Sandra Freitag 512-439-0747

7000 Woodhue Dr.

23.6 KW PV

3 7KW SMA Inverters

Office Depot

Carl Cruz 561-420-9723

2620 Anderson Ln

23.6 KW PV

3 7KW SMA Inverters

Sportsman's Finest

**Charles Dorrance
12434 FM 2244
Bee Caves, TX
Phone: 263-1888
14KW Grid-tie System
(2) SMA 6000 Watt Inverters**

Employee Incentive Plans

**Bruce Rice 512-258-4040
8009 Muley Dr
24 KW
3 7KW SMA Inverters**

Vendors

**Kyocera Solar
Yessica Vargas
480-948-8003**

**SolarWorld
Peter Denapoli
561-477-6779**

**Conergy
Marc Richardson
720-305-0715**

Memberships

**Solar Austin
American Institute of Architects
Texas Solar Energy Society
Texas Renewable Energy Industries Association
American Solar Energy Society
Solar Electric Power Association SEPA**

PRODUCER William Gammon Insurance 1615 Guadalupe Austin TX 78701 Phone: 512-477-6745		THIS CERTIFICATE IS ISSUED AS A MATTER OF INFORMATION ONLY AND CONFERS NO RIGHTS UPON THE CERTIFICATE HOLDER. THIS CERTIFICATE DOES NOT AMEND, EXTEND OR ALTER THE COVERAGE AFFORDED BY THE POLICIES BELOW.	
INSURED Texas Solar Power Company Craig Overmiller 1703 W. Koenig Austin TX 78756		INSURERS AFFORDING COVERAGE	NAIC #
		INSURER A: Hartford Lloyds Ins. Co	38253
		INSURER B: Texas Mutual Insurance Company	
		INSURER C:	
		INSURER D:	
		INSURER E:	

COVERAGES

THE POLICIES OF INSURANCE LISTED BELOW HAVE BEEN ISSUED TO THE INSURED NAMED ABOVE FOR THE POLICY PERIOD INDICATED. NOTWITHSTANDING ANY REQUIREMENT, TERM OR CONDITION OF ANY CONTRACT OR OTHER DOCUMENT WITH RESPECT TO WHICH THIS CERTIFICATE MAY BE ISSUED OR MAY PERTAIN, THE INSURANCE AFFORDED BY THE POLICIES DESCRIBED HEREIN IS SUBJECT TO ALL THE TERMS, EXCLUSIONS AND CONDITIONS OF SUCH POLICIES. AGGREGATE LIMITS SHOWN MAY HAVE BEEN REDUCED BY PAID CLAIMS.

INSR ADD'L LTR	INSRD	TYPE OF INSURANCE	POLICY NUMBER	POLICY EFFECTIVE DATE (MM/DD/YY)	POLICY EXPIRATION DATE (MM/DD/YY)	LIMITS	
A		GENERAL LIABILITY	65SBAIL9560	02/15/09	02/15/10	EACH OCCURRENCE	\$ 1000000
		<input type="checkbox"/> COMMERCIAL GENERAL LIABILITY				DAMAGE TO RENTED PREMISES (Ea occurrence)	\$ 300000
		<input type="checkbox"/> CLAIMS MADE <input checked="" type="checkbox"/> OCCUR				MED EXP (Any one person)	\$ 10000
		<input checked="" type="checkbox"/> Business Owners				PERSONAL & ADV INJURY	\$ 1000000
						GENERAL AGGREGATE	\$ 2000000
						PRODUCTS - COMP/OP AGG	\$ 2000000
		GEN'L AGGREGATE LIMIT APPLIES PER:					
		<input checked="" type="checkbox"/> POLICY <input type="checkbox"/> PRO-JECT <input type="checkbox"/> LOC					
A		AUTOMOBILE LIABILITY	65SBAIL9560	02/15/09	02/15/10	COMBINED SINGLE LIMIT (Ea accident)	\$ 1,000,000
		<input type="checkbox"/> ANY AUTO				BODILY INJURY (Per person)	\$
		<input type="checkbox"/> ALL OWNED AUTOS				BODILY INJURY (Per accident)	\$
		<input checked="" type="checkbox"/> HIRED AUTOS				PROPERTY DAMAGE (Per accident)	\$
		<input checked="" type="checkbox"/> NON-OWNED AUTOS					
		GARAGE LIABILITY				AUTO ONLY - EA ACCIDENT	\$
		<input type="checkbox"/> ANY AUTO				OTHER THAN AUTO ONLY: EA ACC	\$
						AGG	\$
		EXCESS/UMBRELLA LIABILITY				EACH OCCURRENCE	\$
		<input type="checkbox"/> OCCUR <input type="checkbox"/> CLAIMS MADE				AGGREGATE	\$
							\$
		<input type="checkbox"/> DEDUCTIBLE					\$
		<input type="checkbox"/> RETENTION \$					\$
B		WORKERS COMPENSATION AND EMPLOYERS' LIABILITY	SBP0001142587	03/18/08	03/18/09	<input checked="" type="checkbox"/> WC STATU-TORY LIMITS <input type="checkbox"/> OTH-ER	
		ANY PROPRIETOR/PARTNER/EXECUTIVE OFFICER/MEMBER EXCLUDED?				E.L. EACH ACCIDENT	\$ 500000
		If yes, describe under SPECIAL PROVISIONS below				E.L. DISEASE - EA EMPLOYEE	\$ 500000
		OTHER				E.L. DISEASE - POLICY LIMIT	\$ 500000

DESCRIPTION OF OPERATIONS / LOCATIONS / VEHICLES / EXCLUSIONS ADDED BY ENDORSEMENT / SPECIAL PROVISIONS

Solar Power panel contractor

CERTIFICATE HOLDER

CANCELLATION

SHOULD ANY OF THE ABOVE DESCRIBED POLICIES BE CANCELLED BEFORE THE EXPIRATION DATE THEREOF, THE ISSUING INSURER WILL ENDEAVOR TO MAIL 10 DAYS WRITTEN NOTICE TO THE CERTIFICATE HOLDER NAMED TO THE LEFT, BUT FAILURE TO DO SO SHALL IMPOSE NO OBLIGATION OR LIABILITY OF ANY KIND UPON THE INSURER, ITS AGENTS OR REPRESENTATIVES.

AUTHORIZED REPRESENTATIVE



Incentives





SOLAR PV PROGRAM REBATE APPLICATION

Ref File.

#

Purchaser

Name _____ Installation Address _____

Mailing Address (if different) _____

Electric Account # _____ Email Address _____

Day Phone # _____ Wk. Phone # _____

Contractor/Installer

Name _____

Contact Person _____ Email Address _____

Installer's Address _____ Ph. Number _____

City, State & Zip Code _____ Fax Number _____

System/Installation

Residential <input type="checkbox"/>	Structure:	Contractor Price Quote:	Locally Made:	Est. kWh Savings/yr.:	Methodology Used:
Commercial <input type="checkbox"/>	New <input type="checkbox"/>	\$	Yes <input type="checkbox"/> No <input type="checkbox"/>		
Multi-Family <input type="checkbox"/>	Existing <input type="checkbox"/>				

PV Module Mfg.* _____	Inverter Mfg.* _____
Model # _____ Qty. _____	Model # _____
STC Rating (watts) _____ Array Orientation _____	Power Rating Efficiency % _____

**Please list additional modules/inverters on reverse side of this application.*

Number of Modules	x	STC Rating (watts)	x	Inverter Eff. %	=	System Rating (W)	x	Rebate Level	=	Rebate Amount
Array 1:										
	x		x		=		x	\$	=	\$
Array 2:										
	x		x		=		x	\$	=	\$

AE Inspector _____ Application Review Date _____ Approved _____ Disapproved _____

I certify that the above listed solar PV equipment meets the program guidelines and requirements of the Solar PV Rebate Program and that all documentation submitted is true and correct to the best of my knowledge. I further certify that the photovoltaic system will be installed in compliance with Austin Energy's technical requirements for distributed generation interconnection (for facilities under 20 kW).

Vendor/Contractor's Signature _____

Date _____

REFUND AGREEMENT

As a qualified Austin Energy customer and purchaser of the solar system, I understand the rebate for which I am applying will, under no circumstances, exceed the maximum allowed under current Solar PV Rebate Program guidelines. In order to receive the rebate, I understand that the solar system must be inspected and approved by Austin Energy, and I must sign this Refund Agreement that includes, at a minimum, the following conditions. A prorated portion of the rebate, calculated by reducing the rebate paid by 20% per year for each of the five years following final inspection and approval (first 20% reduction to occur on the first anniversary date of rebate payment), shall become due and payable to Austin Energy if I fail to ensure Austin Energy that the rebate equipment is properly maintained and operated at an Austin Energy metered address.

Purchaser's Signature _____

Date _____

Please submit by fax to: (512) 482-5409 or mail to:
Solar PV Rebate Program
721 Barton Springs Road
Austin, Texas 78704



Solar PV Rebate Program Renewable Energy Credit Assignment Agreement

Ref.# _____

The City of Austin, d/b/a Austin Energy ("Austin Energy"), committed by City Council to support renewable energy, is a voluntary participant in the State's goal to have a total, cumulative installed generating capacity in Texas from renewable energy resources of 2,880 megawatts by 2009.

Under the State's renewable energy goals program, a Renewable Energy Credit (REC) represents the environmental attributes of one thousand kWh of electricity produced by a renewable resource (such as solar or wind). A REC is the commodity used by electric providers in Texas to account for their participation in the State's renewable energy goals program. Austin Energy has made a voluntary commitment to the State of Texas to accumulate and register RECs equal to its sales of GreenChoice[®] renewable energy products.

RECs will be generated by your solar energy system. For example, a three (3) kW residential solar system generally produces about 5000 kWh of renewable energy annually, making the current value of the RECs on the open market approximately \$50 per year. RECs can be sold on the open market and transferred. You are being asked to assign the RECs generated by your solar system to Austin Energy in order to receive the solar rebate incentive. The RECs will be aggregated with those of other participants in the Solar Rebate Program. They will be used by Austin Energy to meet its voluntary participation commitments to the State's program and in turn, your assignment will benefit all Austin Energy customers.

By signing the REC Assignment Agreement, you are agreeing to assign the RECs generated by your solar system to Austin Energy in consideration for receipt of a rebate.

I _____ (please print) acknowledge that I have read the above explanation and understand by signing this agreement that I agree to assign the RECs generated by my solar system at a meter within Austin Energy's certificated area to Austin Energy in consideration for any solar rebate incentive provided to me.

Customer Signature

Company Name (if applicable)

Installation Address

Date

April 2004

American Recovery Act

Background

The American Recovery and Reinvestment Act (H.R.1), also known as the stimulus bill, was signed into law by President Obama on Tuesday February 17, 2009. The focus of this \$787B program is to restore stability to the American economy through direct spending, tax subsidies and job creation. A portion of this broad package addresses renewable energy and establishes measures to support the industry during these tough economic times. In addition, the federal energy bill that is scheduled to begin debate soon will include additional topics not covered in the Stimulus bill such as a national renewable energy standard.

Provisions passed in the stimulus bill

The solar energy industry achieved several key victories in the outcome of the stimulus bill legislation. These results are summarized below.

Grant Program – The grant program was priority number one for the solar industry. The program offers grants to commercial projects through the Treasury Department (as an alternative to the ITC) equal to 30 percent of the cost of solar property to address current renewable energy credit market concerns. To be eligible for the program, the project must commence construction in 2009 or 2010 and be placed in service by January 1, 2017. Applications must be filed by October 1, 2011.

Solar impact – The lack of tax appetite among traditional tax equity partners has made it difficult to take advantage of tax credit financing. To address this issue tax credit refundability was proposed and evolved into the grant program. The disbursement of grants represents 30% cash towards a project and reduces the need for tax equity partners. The program could take several months before it is ready to accept applications. Entities must choose between claiming the ITC and receiving a grant; they may not receive both.

Loan Guarantee - Establishes a temporary DOE loan guarantee program for commercial renewable energy and electric power transmission projects. Eligible projects must begin construction by Sept. 30, 2011. The program is funded at \$7 billion which will be used to pay for the credit subsidy costs. It would expand the existing loan guarantee program by allowing “commercial” or “proven” technologies to qualify whereas the current program limits applicants to “new” and “innovative” technologies. The \$7B used to pay for the credit subsidy costs will enable approximately \$70B in loan guarantees.

Solar impact- With the government guaranteeing loans financial institutions should be more willing to lend money to renewable energy projects and on more favorable terms.

Under a loan guarantee, the government guarantees that the repayments on the company's loans are met. Should the company default, their obligations to the lender are transferred to the government. The government's (expected) cost of issuing a loan guarantee must be budgeted as a

cost at the time of the disbursement; hence the coverage of the subsidy costs.

The subsidy cost is the expected value of the guarantee in a statistical sense. Credit subsidy costs cover defaults, delinquencies, interest subsidies, and other payments less payments already made to the government. Congress must appropriate the subsidy cost before an agency can enter into obligations to disburse direct loans or guarantee loans made by others.

Subsidized Financing - This provision repeals the penalty for financing solar projects and allows businesses and individuals to qualify for the full amount of the solar tax credit, even if projects are financed with local development bonds or other subsidized energy financing.

Solar impact – Previously most forms of government loans or subsidy financing distributed to renewable energy project developers would lower the tax credit basis used to apply to the investment tax credit. This provision allows the full cost of the system to be applied towards the tax credit regardless of if a project received money from local development bonds for other subsidized energy financing.

Bonus Depreciation - Last year, Congress temporarily allowed businesses to recover the costs of capital expenditures made in 2008 faster than the ordinary depreciation schedule would allow by permitting these businesses to immediately write-off 50% of the cost of depreciable property (e.g., equipment, tractors, wind turbines, solar panels, and computers) acquired in 2008 for use in the United States. This policy has been extended into 2009 with the passage of this bill.

Solar impact – This provision can provide 1%-2% additional internal rate of return on a project. Because depreciation is a non-cash expense, depreciation lowers the company's reported earnings thus requiring the asset owner to have positive earnings to fully take advantage of depreciation.

Clean Renewable Energy Bonds - Authorizes an additional \$1.6 billion of clean renewable energy bonds to finance facilities that generate electricity at systems owned by states, tribes, localities, public power and electric coops.


Solar impact – CREBs are used by state, local, and tribal governments; public power providers and electric cooperatives to finance investments in renewable energy. CREBs are a way for these entities to take advantage of tax credit financing since the lender receives tax credits instead of repayments of principal and interest.

Investment Credit Cap Removals – The bill removes the investment tax credit cap for small wind and solar thermal systems. It also removes the \$4000 cap on commercial small wind.

Solar impact – Removal of the cap improves the return on projects since the 30% credit will now be applied to the full system cost.

Solar on Federal Property - The bill appropriates \$5.5 billion to be deposited into the Federal Buildings Fund for expenditures to construct, repair and make alterations on federal buildings to increase energy efficiency, including installing solar energy equipment. Also appropriates \$1 billion for non-recurring maintenance on Veterans Affairs facilities, including energy projects. The GSA estimates that 75% of the anticipated projects will include a solar component.

Solar impact – There have been an increasing number of solar projects on Federal Government property. This provision will expand those opportunities to projects of all sizes.


DSIRE

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[Incentives](#)
[Incentives List](#)
[DSIRE Home](#)

Federal Incentives for Renewables and Efficiency

[Printable Version](#)

U.S. Department of Treasury - Renewable Energy Grants

Last DSIRE Review: 02/19/2009

Incentive Type: Federal Grant Program

Eligible Renewable/Other Technologies: Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Landfill Gas, Wind, Biomass, Hydroelectric, Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, Municipal Solid Waste, CHP/Cogeneration, Solar Hybrid Lighting, Hydrokinetic, Tidal Energy, Wave Energy, Ocean Thermal, Microturbines

Applicable Sectors: Commercial, Industrial, Agricultural

Amount: 30% of property that is part of a qualified facility, qualified fuel cell property, solar property, or qualified small wind property
10% of all other property

Max. Limit: \$1,500 per 0.5 kW for qualified fuel cell property
\$200 per kW for qualified microturbine property
50 MW for CHP property, with limitations for large systems

Terms: Grant applications must be submitted by 10/1/2011. Payment of grant will be made within 60 days of the grant application date or the date property is placed in service, whichever is later.

Authority 1: [H.R. 1: Div. B, Sec. 1104 & 1603 \(The American Recovery and Reinvestment Act of 2009\)](#)

Date Enacted: 2/17/2009

Effective Date: 1/1/2009

Summary:

Note: The American Recovery and Reinvestment Act of 2009 (H.R. 1) allows taxpayers eligible for the federal **business energy investment tax credit (ITC)** to take this credit or to receive a grant from the U.S. Treasury Department instead of taking the business ITC for new installations. The new law also allows taxpayers eligible for the **renewable electricity production tax credit (PTC)** to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations. (It does not allow taxpayers eligible for the **residential renewable energy tax credit** to receive a grant instead of taking this credit.) Taxpayers may not use more than one of these incentives. If an entity receives a grant and has previously received the business ITC or the PTC, the credit will be recaptured through an increase in taxes during the year in which the grant is awarded by the amount of the credit taken in previous years. Receiving a credit in the past does not reduce the amount of the grant. The grant is not included in the gross income of the taxpayer.

The American Recovery and Reinvestment Act of 2009 (H.R. 1), enacted in February 2009, created a renewable energy grant program that will be administered by the U.S. Department of Treasury. This cash grant may be taken in lieu of the federal business energy investment tax credit (ITC).

Grants are available to eligible property* placed in service in 2009 or 2010, or placed in service by the specified credit termination date,** if construction began in 2009 or 2010:

- **Solar.** The grant is equal to 30% of the basis of the property for solar energy. Eligible solar-energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. Passive solar systems and solar pool-heating systems are *not* eligible. Hybrid solar-lighting systems, which use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight, are eligible.
- **Fuel Cells.** The grant is equal to 30% of the basis of the property for fuel cells. The grant for fuel cells is capped at \$1,500 per 0.5 kilowatt (kW) in capacity. Eligible property includes fuel cells with a minimum capacity of 0.5 kW that have an electricity-only generation efficiency of 30% or higher.
- **Small Wind Turbines.** The grant is equal to 30% of the basis of the property for small wind turbines. Eligible small wind property includes wind turbines up to 100 kW in capacity.

- **Qualified Facilities.** The grant is equal to 30% of the basis of the property for qualified facilities. Qualified facilities include wind energy facilities, closed-loop biomass facilities, open-loop biomass facilities, geothermal energy facilities, landfill gas facilities, trash facilities, qualified hydropower facilities, and marine and hydrokinetic renewable energy facilities.
- **Geothermal Heat Pumps.** The grant is equal to 10% of the basis of the property for geothermal heat pumps.
- **Microturbines.** The grant is equal to 10% of the basis of the property for microturbines. The grant for microturbines is capped at \$200 per kW of capacity. Eligible property includes microturbines up to two megawatts (MW) in capacity that have an electricity-only generation efficiency of 26% or higher.
- **Combined Heat and Power (CHP).** The grant is equal to 10% of the basis of the property for CHP. Eligible CHP property generally includes systems up to 50 MW in capacity that exceed 60% energy efficiency, subject to certain limitations and reductions for large systems. The efficiency requirement does not apply to CHP systems that use biomass for at least 90% of the system's energy source, but the grant may be reduced for less-efficient systems.

It is important to note that only tax-paying entities are eligible for this grant. Federal, state and local government bodies, non-profits, qualified energy tax credit bond lenders, and cooperative electric companies are not eligible to receive this grant. Partners or pass-thru entities for the organizations described above are also not eligible to receive this grant. Grant applications must be submitted by October 1, 2011. The U.S. Treasury Department will make payment of the grant within 60 days of the grant application date or the date the property is placed in service, whichever is later.

**Definitions of eligible property types and renewable technologies can be found in the U.S. Code, Title 26, § 45 and § 48.*

***Credit termination date of January 1, 2013 for wind; January 1, 2014 for closed-loop biomass, open-loop biomass, landfill gas, trash, qualified hydropower, marine and hydrokinetic; January 1, 2017 for fuel cells, small wind, solar, geothermal, microturbines, CHP and geothermal heat pumps.*



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Modified Accelerated Cost-Recovery System (MACRS) + Bonus Depreciation (2008-2009)

Incentive Type: Corporate Depreciation

Eligible Renewable/Other Technologies: Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat, Photovoltaics, Landfill Gas, Wind, Biomass, Renewable Transportation Fuels, Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, Municipal Solid Waste, CHP/Cogeneration, Solar Hybrid Lighting, Direct Use Geothermal, Anaerobic Digestion, Microturbines

Applicable Sectors: Commercial, Industrial

Authority 1: [26 USC § 168](#)

Effective Date: 1986

Authority 2: [26 USC § 48](#)

Authority 3: H.R. 1: Div. B, Sec. 1201 (The American Recovery and Reinvestment Act of 2009)

Date Enacted: 02/17/2009

Effective Date: 12/31/2008 (retroactive for 2009 tax year)

Expiration Date: 12/31/2009

Summary:

Under the federal Modified Accelerated Cost-Recovery System (MACRS), businesses may recover investments in certain property through depreciation deductions. The MACRS establishes a set of class lives for various types of property, ranging from three to 50 years, over which the property may be depreciated. A number of renewable energy technologies are classified as five-year property (26 USC § 168(e)(3)(B)(vi)) under the MACRS, which refers to 26 USC § 48(a)(3)(A), often known as the energy investment tax credit or ITC to define eligible property. Such property currently includes:

- a variety of solar electric and solar thermal technologies
- fuel cells and microturbines
- geothermal electric
- direct-use geothermal and geothermal heat pumps
- small wind (100 kW or less)
- combined heat and power (CHP).
- The provision which defines ITC technologies as eligible also adds the general term "wind" as an eligible technology, extending the five-year schedule to large wind facilities as well.

In addition, for certain other biomass property, the MACRS property class life is seven years. Eligible biomass property generally includes assets used in the conversion of biomass to heat or to a solid, liquid or gaseous fuel, and to equipment and structures used to receive, handle, collect and process biomass in a waterwall, combustion system, or refuse-derived fuel system to create hot water, gas, steam and electricity.

The 5-year schedule for most types of solar, geothermal, and wind property has been in place since 1986. The federal Energy Policy Act of 2005 (EPAct 2005) classified fuel cells, microturbines and solar hybrid lighting technologies as five-year property as well by adding them to § 48(a)(3)(A). This section was further expanded in October 2008 by the addition of geothermal heat pumps, combined heat and power, and small wind under the The Energy Improvement and Extension Act of 2008.


The federal Economic Stimulus Act of 2008, enacted in February 2008, included a 50% bonus depreciation (26 USC § 168(k)) provision for eligible renewable-energy systems acquired and placed in service in 2008. This provision was extended (retroactively to the entire 2009 tax year) under the same terms by The American Recovery and Reinvestment Act of 2009 enacted in February 2009. To qualify for bonus depreciation, a project must satisfy these criteria:

- the property must have a recovery period of 20 years or less under normal federal tax depreciation rules;
- the original use of the property must commence with the taxpayer claiming the deduction;
- the property generally must have been acquired during 2008 or 2009; and
- the property must have been placed in service during 2008 or 2009 (or, in certain limited cases, in 2010).

If property meets these requirements, the owner is entitled to deduct 50% of the adjusted basis of the property in 2008 and 2009. The remaining 50% of the adjusted basis of the property is depreciated over the ordinary depreciation schedule. The bonus depreciation rules do not override the depreciation limit applicable to projects qualifying for the federal business energy tax credit. Before calculating depreciation for such a project, including any bonus depreciation, the adjusted basis of the project must be reduced by one-half of the amount of the energy credit for which the project qualifies.

For more information on the federal MACRS, see *IRS Publication 946*, *IRS Form 4562: Depreciation and Amortization*, and *Instructions for Form 4562*. The [IRS web site](#) provides a search mechanism for forms and publications. Enter the relevant form, publication name or number, and click "GO" to receive the requested form or publication.

**Note that the definitions of eligible technologies included in this entry are somewhat simplified versions of those contained in tax code, which often contain additional caveats, restrictions, and modifications. Those interested in this incentive should review the relevant sections of the code in detail prior to making business decisions.*



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Business Energy Investment Tax Credit (ITC)

Last DSIRE Review: 02/18/2009

Incentive Type: Corporate Tax Credit

Eligible Renewable/Other: Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal Process Heat,

Technologies: Photovoltaics, Wind, Biomass, Geothermal Electric, Fuel Cells, Geothermal Heat Pumps, CHP/Cogeneration, Solar Hybrid Lighting, Direct Use Geothermal, Microturbines

Applicable Sectors: Commercial, Industrial, Utility

Amount: 30% for solar, fuel cells and small wind;
10% for geothermal, microturbines and CHP

Maximum Incentive: Fuel cells: \$1,500 per 0.5 kW
Microturbines: \$200 per kW
Small wind turbines placed in service 10/4/08 - 12/31/08: \$4,000
Small wind turbines placed in service after 12/31/08: no limit
All other eligible technologies: no limit

Eligible System Size: Small wind turbines: 100 kW or less
Fuel cells: 0.5 kW or greater
Microturbines: 2 MW or less
CHP: 50 MW or less

Equipment/Installation

Requirements: Fuel cells, microturbines and CHP systems must meet specific energy-efficiency criteria

Authority 1: [26 USC § 48](#)

Authority 2: [H.R. 1424: Div. B \(The Energy Improvement and Extension Act of 2008\)](#)

Date Enacted: 10/3/2008

Effective Date: 10/3/2008

Authority 3: [H.R. 1: Div. B, Sec. 1103 \(The American Recovery and Reinvestment Act of 2009\)](#)

Date Enacted: 2/17/2009

Effective Date: 1/1/2009

Summary:

Note: *The American Recovery and Reinvestment Act of 2009 (H.R. 1) allows taxpayers eligible for the federal **renewable electricity production tax credit (PTC)** to take the federal business energy investment tax credit (ITC) **or to receive a grant from the U.S. Treasury Department instead of taking the PTC for new installations.** The new law also allows taxpayers eligible for the business ITC to receive a **grant** from the U.S. Treasury Department **instead of taking the business ITC for new installations.***

The federal business energy investment tax credit available under 26 USC § 48 was expanded significantly by the *Energy Improvement and Extension Act of 2008* (H.R. 1424), enacted in October 2008. This law extended the duration -- by eight years -- of the existing credits for solar energy, fuel cells and microturbines; increased the credit amount for fuel cells; established new credits for small wind-energy systems, geothermal heat pumps, and combined heat and power (CHP) systems; extended eligibility for the credits to utilities; and allowed taxpayers to take the credit against the alternative minimum tax (AMT), subject to certain limitations. The credit was further expanded by *The American Recovery and Reinvestment Act of 2009*, enacted in February 2009.

In general, credits are available for eligible systems placed in service on or before December 31, 2016:*

- **Solar.** The credit is equal to 30% of expenditures, with no maximum credit limit stated. Eligible solar energy property includes equipment that uses solar energy to generate electricity, to heat or cool (or provide hot water for use in) a structure, or to provide solar process heat. (Passive solar systems and solar pool-heating systems are *not* eligible.) Hybrid solar lighting systems are those that use solar energy to illuminate the inside of a structure using fiber-optic distributed sunlight.

Click [here](#) for a four-page Q&A on federal solar tax incentives, prepared by the Solar Energy Industries Association. (Note that this document was published in October 2008.)

- **Fuel Cells.** The credit is equal to 30% of expenditures, with no maximum credit limit. The credit for fuel cells is capped at \$1,500 per 0.5 kilowatt (kW) of capacity. Eligible property includes fuel cells with a minimum capacity of 0.5 kW that have an electricity-only generation efficiency of 30% or higher. (Note that the credit for property placed in service before October 4, 2008, is capped at \$500 per 0.5 kW.)
- **Small Wind Turbines.** The credit is equal to 30% of expenditures, with no maximum credit limit for small wind turbines placed in service after December 31, 2008. Eligible small wind property includes wind turbines up to 100 kW in capacity. (In general, the maximum credit is \$4,000 for eligible property placed in service after October 3, 2008, and before January 1, 2009. *The American Recovery and Reinvestment Act of 2009* removed the \$4,000 maximum credit limit for small wind turbines.)
- **Geothermal Systems.** The credit is equal to 10% of expenditures, with no maximum credit limit stated. Eligible geothermal energy property includes geothermal heat pumps and equipment used to produce, distribute or use energy derived from a geothermal deposit. For electricity produced by geothermal power, equipment qualifies only up to, but not including, the electric transmission stage. For geothermal heat pumps, this credit applies to eligible property placed in service after October 3, 2008.
- **Microturbines.** The credit is equal to 10% of expenditures, with no maximum credit limit stated (explicitly). The credit for microturbines is capped at \$200 per kW of capacity. Eligible property includes microturbines up to two megawatts (MW) in capacity that have an electricity-only generation efficiency of 26% or higher.
- **Combined Heat and Power (CHP).** The credit is equal to 10% of expenditures, with no maximum credit limit stated. Eligible CHP property generally includes systems up to 50 MW in capacity that exceed 60% energy efficiency, subject to certain limitations and reductions for large systems. The efficiency requirement does not apply to CHP systems that use biomass for at least 90% of the system's energy source, but the credit may be reduced for less-efficient systems. This credit applies to eligible property placed in service after October 3, 2008.

In general, the original use of the equipment must begin with the taxpayer, or the system must be constructed by the taxpayer. The equipment must also meet any performance and quality standards in effect at the time the equipment is acquired. The energy property must be operational in the year in which the credit is first taken.

Significantly, *The American Recovery and Reinvestment Act of 2009* repealed a previous limitation on the use of the credit for eligible projects also supported by "subsidized energy financing." For projects placed in service after December 31, 2008, this limitation no longer applies. Businesses who receive other incentives are advised to consult with a tax professional regarding how to calculate this federal tax credit.

History

The federal [Energy Policy Act of 2005](#) (EPAct 2005) expanded the existing federal business energy tax credit for solar and geothermal energy property to include fuel cells, microturbines and hybrid solar lighting systems installed on or after January 1, 2006, and raised the credit for solar to 30%. Prior to the provisions of EPAct 2005, a 10% credit was available to businesses that invested in or purchased solar or geothermal energy property.

** Note that the credit for geothermal property, with the exception of geothermal heat pumps, has no stated expiration date. The credit for solar energy property reverts to 10% after December 31, 2016.*

Contact:

Public Information - IRS

Internal Revenue Service
1111 Constitution Avenue, N.W.
Washington, DC 20224
Phone: (800) 829-1040
Web site: <http://www.irs.gov>

Solar Energy Device Franchise Tax Deduction

Incentive Type:	Corporate Deduction
Eligible Renewable/Other:	Solar Water Heat, Solar Space Heat, Solar Thermal Electric, Solar Thermal
Technologies:	Process Heat, Photovoltaic
Applicable Sectors:	Commercial, Industrial
Amount:	100% from capital or 10% from profit
Maximum Incentive:	None
Website:	http://www.seco.cpa.state.tx.us/re_incentives.htm
Authority 1:	Texas Statutes § 171.107
Date Enacted:	1981, amended 1991, 1999
Effective Date:	1982

Summary:

Texas allows a corporation to deduct the cost of a solar energy device from the franchise tax in one of two ways: (1) the total cost of the system may be deducted from the company's taxable capital; or, (2) 10% of the system's cost may be deducted from the company's income. Both taxable capital and a company's income are taxed under the franchise tax, which is Texas's equivalent to a corporate tax.

For the purpose of this deduction, a solar energy device means "a system or series of mechanisms designed primarily to provide heating or cooling or to produce electrical or mechanical power by collecting and transferring solar-generated energy. The term includes a mechanical or chemical devise that has the ability to store solar-generated energy for use in heating or cooling or in the production of power."



Instructions for Form 4562

Depreciation and Amortization (Including Information on Listed Property)

Section references are to the Internal Revenue Code unless otherwise noted.

What's New

- For tax years beginning in 2008, the maximum section 179 expense deduction is \$250,000 (\$285,000 for qualified enterprise zone and renewal community property). This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds \$800,000. See the instructions for Part I.
- The higher maximum deduction for certain qualified section 179 Gulf Opportunity Zone (GO Zone) property will not apply to property placed in service after December 31, 2008. See the instructions for line 1.
- You may be able to claim an increased section 179 expense deduction and the special depreciation allowance for qualified property placed in service in the Kansas disaster area. See Pub. 4492-A, Information for Taxpayers Affected by the May 4, 2007, Kansas Storms and Tornadoes.
- You may be able to claim an increased section 179 expense deduction for qualified section 179 disaster assistance property placed in service after December 31, 2007. See the instructions for line 1.
- You may be able to claim a 50% special depreciation allowance for property that is (a) qualified cellulosic biofuel plant property placed in service after October 3, 2008, (b) certain qualified property acquired after December 31, 2007, and placed in service before January 1, 2009, (c) qualified reuse and recycling property placed in service after August 31, 2008, and (d) qualified disaster assistance property placed in service after December 31, 2007. See the instructions for lines 14 and 25 for more information.
- Qualified restaurant property and retail improvement property placed in service after December 31, 2008, will not be treated as qualified property for purposes of the special depreciation allowance. See the instructions for line 14.
- Corporations and a certain automotive partnership may elect to accelerate research and minimum tax credits in lieu of claiming the special depreciation allowance for certain property under section 168(k). For more information, see the instructions for line 14.
- The special depreciation allowance has been extended for certain qualified GO Zone property. See the instructions for lines 14 and 25 for more details.

- The accelerated depreciation of property on an Indian reservation has been extended to include property placed in service before January 1, 2010. See the instructions for line 19, column (d).
- The treatment of a qualified motorsports entertainment complex property as 7-year property has been extended to include property placed in service before January 1, 2010. See the instructions for line 19, column (a).
- Any race horse (without regard to the age of the horse) placed in service after December 31, 2008, is treated as 3-year property. See the instructions for line 19, column (a).
- Any qualified smart electric meter and qualified smart electric grid system property placed in service after October 3, 2008, is considered 10-year property. See the instructions for line 19, column (a).
- Treatment of qualified leasehold improvement property and qualified restaurant property as 15-year property has been extended to include property placed in service before January 1, 2010. See the instructions for line 19, column (a).
- Certain qualified retail improvement property placed in service after December 31, 2008, will be treated as 15-year property. See the instructions for line 19, column (a).
- Certain machinery or equipment used in a farming business where the original use of the property begins with you after December 31, 2008, will be treated as 5-year property. See the instructions for line 19, column (a).
- You are no longer required to attach a statement to your return to make an election to deduct business start-up and organizational costs paid or incurred after September 8, 2008. See the instructions for line 42 for more information.

General Instructions

Purpose of Form

Use Form 4562 to:

- Claim your deduction for depreciation and amortization,
- Make the election under section 179 to expense certain property, and
- Provide information on the business/investment use of automobiles and other listed property.

Who Must File

Except as otherwise noted, complete and file Form 4562 if you are claiming any of the following.

- Depreciation for property placed in service during the 2008 tax year.
- A section 179 expense deduction (which may include a carryover from a previous year).
- Depreciation on any vehicle or other listed property (regardless of when it was placed in service).
- A deduction for any vehicle reported on a form other than Schedule C (Form 1040), Profit or Loss From Business, or Schedule C-EZ (Form 1040), Net Profit From Business.
- Any depreciation on a corporate income tax return (other than Form 1120S).
- Amortization of costs that begins during the 2008 tax year.

If you are an employee deducting job-related vehicle expenses using either the standard mileage rate or actual expenses, use Form 2106, Employee Business Expenses, or Form 2106-EZ, Unreimbursed Employee Business Expenses, for this purpose.

File a separate Form 4562 for each business or activity on your return for which Form 4562 is required. If you need more space, attach additional sheets. However, complete only one Part I in its entirety when computing your section 179 expense deduction. See the instructions for line 12 on page 4.

Additional Information

For more information about depreciation and amortization (including information on listed property) see the following.

- Pub. 463, Travel, Entertainment, Gift, and Car Expenses.
- Pub. 534, Depreciating Property Placed in Service Before 1987.
- Pub. 535, Business Expenses.
- Pub. 553, Highlights of 2008 Tax Changes.
- Pub. 551, Basis of Assets.
- Pub. 946, How To Depreciate Property.

Definitions

Depreciation

Depreciation is the annual deduction that allows you to recover the cost or other basis of your business or investment property over a certain number of years. Depreciation starts when you first use the property in your

business or for the production of income. It ends when you either take the property out of service, deduct all your depreciable cost or basis, or no longer use the property in your business or for the production of income.

Generally, you can depreciate:

- Tangible property such as buildings, machinery, vehicles, furniture, and equipment; and
- Intangible property such as patents, copyrights, and computer software.

Exception. You cannot depreciate land.

Section 179 Property

Section 179 property is property that you acquire by purchase for use in the active conduct of your trade or business, and is one of the following.

- Tangible personal property.
- Other tangible property (except buildings and their structural components) used as:
 1. An integral part of manufacturing, production, or extraction or of furnishing transportation, communications, electricity, gas, water, or sewage disposal services;
 2. A research facility used in connection with any of the activities in (1) above; or
 3. A facility used in connection with any of the activities in (1) above for the bulk storage of fungible commodities.
- Single purpose agricultural (livestock) or horticultural structures.
- Storage facilities (except buildings and their structural components) used in connection with distributing petroleum or any primary product of petroleum.
- Off-the-shelf computer software.

Section 179 property does not include the following.

- Property held for investment (section 212 property).
- Property used mainly outside the United States (except for property described in section 168(g)(4)).
- Property used mainly to furnish lodging or in connection with the furnishing of lodging (except as provided in section 50(b)(2)).
- Property used by a tax-exempt organization (other than a section 521 farmers' cooperative) unless the property is used mainly in a taxable unrelated trade or business.
- Property used by a governmental unit or foreign person or entity (except for property used under a lease with a term of less than 6 months).
- Air conditioning or heating units.

See the instructions for Part I and Pub. 946.

Amortization

Amortization is similar to the straight line method of depreciation in that an annual deduction is allowed to recover certain costs over a fixed time period. You can amortize such items as the costs of starting a business, goodwill, and certain other intangibles. See the instructions for Part VI.

Listed Property

Listed property generally includes the following.

- Passenger automobiles weighing 6,000 pounds or less. See *Limits for passenger automobiles* on page 12.
- Any other property used for transportation if the nature of the property lends itself to personal use, such as motorcycles, pick-up trucks, sport utility vehicles, etc.
- Any property used for entertainment or recreational purposes (such as photographic, phonographic, communication, and video recording equipment).
- Cellular telephones (or other similar telecommunications equipment).
- Computers or peripheral equipment.

Exceptions. Listed property does not include:

1. Photographic, phonographic, communication, or video equipment used exclusively in a taxpayer's trade or business or at the taxpayer's regular business establishment;
2. Any computer or peripheral equipment used exclusively at a regular business establishment and owned or leased by the person operating the establishment; or
3. An ambulance, hearse, or vehicle used for transporting persons or property for compensation or hire.
4. Any truck or van placed in service after July 6, 2003, that is a qualified nonpersonal use vehicle.

For purposes of the exceptions above, a portion of the taxpayer's home is treated as a regular business establishment only if that portion meets the requirements for deducting expenses attributable to the business use of a home. However, for any property listed in (1) above, the regular business establishment of an employee is his or her employer's regular business establishment.

Commuting

Generally, commuting is defined as travel between your home and a work location. However, travel that meets any of the following conditions is not commuting.

- You have at least one regular work location away from your home and the travel is to a temporary work location in the same trade or business, regardless of the distance. Generally, a temporary work location is one where your employment is expected to last 1 year or less. See Pub. 463 for details.

- The travel is to a temporary work location outside the metropolitan area where you live and normally work.
- Your home is your principal place of business for purposes of deducting expenses for business use of your home and the travel is to another work location in the same trade or business, regardless of whether that location is regular or temporary and regardless of distance.

Alternative Minimum Tax (AMT)

Depreciation may be an adjustment for the AMT. However, no adjustment applies in several instances. See Form 4626, *Alternative Minimum Tax—Corporations*; Form 6251, *Alternative Minimum Tax—Individuals*; Schedule I (Form 1041), *Alternative Minimum Tax—Estates and Trusts*; and the related instructions.

Recordkeeping

Except for Part V (relating to listed property), the IRS does not require you to submit detailed information with your return on the depreciation of assets placed in service in previous tax years. However, the information needed to compute your depreciation deduction (basis, method, etc.) must be part of your permanent records.



You may use the depreciation worksheet on page 18 to assist you in maintaining depreciation records. However, the worksheet is designed only for federal income tax purposes. You may need to keep additional records for accounting and state income tax purposes.

Specific Instructions

Part I. Election To Expense Certain Property Under Section 179

Note. An estate or trust cannot make this election.

You can elect to expense part or all of the cost of section 179 property (defined earlier) that you placed in service during the tax year and used predominantly (more than 50%) in your trade or business.

However, for taxpayers other than a corporation, this election does not apply to any section 179 property you purchased and leased to others unless:

- You manufactured or produced the property or
- The term of the lease is less than 50% of the property's class life and, for the first 12 months after the property is transferred to the lessee, the deductions related to the property allowed to you as trade or business expenses (except rents and reimbursed amounts) are more than 15% of the rental income from the property.

Election. You must make the election on Form 4562 filed with either:

- The original return you file for the tax year the property was placed in service (whether or not you file your return on time) or
- An amended return filed within the time prescribed by law for the applicable tax year. The election made on an amended return must specify the item of section 179 property to which the election applies and the part of the cost of each such item to be

taken into account. The amended return must also include any resulting adjustments to taxable income.

Revocation. The election (or any specification made in the election) can be revoked without obtaining IRS approval by filing an amended return. The amended return must be filed within the time prescribed by law for the applicable tax year. The amended return must include any resulting adjustments to taxable income or to the tax liability (for example, allowable depreciation in that tax year for the item of section 179 property which the revocation pertains). For more information and examples, see Regulations section 1.179-5.

Once made, the revocation is irrevocable.



If you elect to expense section 179 property, you must reduce the amount on which you figure your depreciation or amortization deduction (including any special depreciation allowance) by the section 179 expense deduction.

Line 1

Generally, the maximum section 179 deduction is \$250,000.

For an enterprise zone business or a renewal community business, the maximum deduction is increased by the smaller of:

- \$35,000 or
- The cost of section 179 property that is also qualified empowerment zone property or qualified renewal property (including such property placed in service by your spouse, even if you are filing a separate return).

For more information, including definitions of qualified empowerment zone property and qualified renewal property, see Pub. 954, Tax Incentives for Distressed Communities.

For certain qualified section 179 GO Zone property in which substantially all of the use is in one or more specified portions of the GO Zone (as defined in section 1400N(d)(6)), the maximum deduction is increased by the smaller of:

- \$100,000 or
- The cost of certain qualified section 179 GO Zone property placed in service before January 1, 2009 (including such property placed in service by your spouse, even if you are filing a separate return). See section 1400N(e) for more information.

For all other section 179 GO Zone property placed in service in tax years beginning in 2008, the maximum deduction is \$250,000.

For more information, including definitions of qualified GO Zone property and qualified section 179 GO Zone property, see Pub. 946.

For qualified section 179 disaster assistance property placed in service in a federally declared area in which the disaster occurred after December 31, 2007, the maximum deduction is increased by the smaller of:

- \$100,000 or
- The cost of qualified section 179 disaster assistance property placed in service after 2007 (including such property placed in service by your spouse, even if you are filing a separate return).

A list of the federally declared disaster areas is available at the Federal Emergency Management Agency (FEMA) web site at www.fema.gov. For more information, including the definition of qualified section 179 disaster assistance property and the eligible disaster areas, see Pub. 946.



You may be able to take an increased section 179 expense deduction for qualified section 179 Recovery Assistance property placed in service in the Kansas disaster area. For more information, including definitions of qualified Recovery Assistance property and qualified section 179 Recovery Assistance property, see Pub. 4492-A.

If applicable, cross out the preprinted entry on line 1 and enter in the right margin the larger amount.



For purposes of the increased section 179 expense deduction, certain qualified section 179 GO Zone property, qualified section 179 Recovery Assistance property, or qualified section 179 disaster assistance property that is located in an empowerment zone (or a renewal community) is treated as qualified empowerment zone property (or qualified renewable property) only if you elect not to treat the property as qualified section 179 GO Zone property, qualified section 179 Recovery Assistance property, or qualified section 179 disaster assistance property.

Recapture rule. If any qualified empowerment zone property (or qualified renewal property) placed in service during the current year ceases to be used in an empowerment zone (or a renewal community) by an enterprise zone business (or a renewal community business) in a later year, the benefit of the increased section 179 expense deduction must be reported as "other income" on your return. Similar rules apply to qualified Liberty Zone property that ceases to be used in the Liberty Zone, qualified section 179 GO Zone property that ceases to be used in the GO Zone, qualified section 179 Recovery Assistance property that ceases to be used in the Recovery Assistance area, and qualified section 179 disaster assistance property that ceases to be used in the applicable federally declared disaster area.

Line 2

Enter the cost of all section 179 property placed in service during the tax year. Also include the cost of the following.

- Any listed property from Part V.
- Any property placed in service by your spouse, even if you are filing a separate return.
- 50% of the cost of section 179 property that is also qualified empowerment zone property or qualified renewal property.

Line 3

The amount of section 179 property for which you can make the election is limited to the maximum dollar amount on line 1. In most cases, this amount is reduced if the cost of all section 179 property placed in service during the year is more than \$800,000.

However, if you placed certain qualified section 179 GO Zone property in service during the tax year and substantially all of the use of the property is in one or more specified portions of the GO Zone (as defined in section 1400N(d)(6)), the amount of property for which you can make the election is reduced if the cost of all section 179 property placed in service during the year exceeds \$800,000 increased by the smaller of:

- \$600,000 or
- The cost of certain qualified section 179 GO Zone property placed in service during the tax year.

Note. For all other qualified section 179 GO Zone property placed in service in tax years beginning in 2008, the maximum limitation is \$800,000.

If you placed qualified section 179 disaster assistance property in service in a federally declared disaster area in which the disaster occurred after December 31, 2007, the amount of property for which you can make the election is reduced if the cost of all section 179 property placed in service during the year exceeds \$800,000 increased by the smaller of:

- \$600,000 or
- The cost of qualified section 179 disaster assistance property placed in service after December 31, 2007.

For more information, see Pub. 946.

If applicable, cross out the preprinted entry on line 3 and enter in the right margin the higher amount.

For a partnership (other than an electing large partnership) these limitations apply to the partnership and each partner. For an electing large partnership, the limitations apply only to the partnership. For an S corporation, these limitations apply to the S corporation and each shareholder. For a controlled group, all component members are treated as one taxpayer.

Line 5

If line 5 is zero, you cannot elect to expense any section 179 property. In this case, skip lines 6 through 11, enter zero on line 12, and enter the carryover of any disallowed deduction from 2007 on line 13.

If you are married filing separately, you and your spouse must allocate the dollar limitation for the tax year. To do so, multiply the total limitation that you would otherwise enter on line 5 by 50%, unless you both elect a different allocation. If you both elect a different allocation, multiply the total limitation by the percentage elected. The sum of the percentages you and your spouse elect must equal 100%.

Do not enter on line 5 more than your share of the total dollar limitation.

Line 6

Do not include any listed property on line 6. Enter the elected section 179 cost of listed property in column (i) of line 26.

Column (a) — Description of property.

Enter a brief description of the property you elect to expense (e.g., truck, office furniture, etc.).

Column (b) — Cost (business use only).

Enter the cost of the property. If you acquired the property through a trade-in, do not include any carryover basis of the property traded in. Include only the excess of the cost of the property over the value of the property traded in.

Column (c) — Elected cost. Enter the amount you elect to expense. You do not have to expense the entire cost of the property. You can depreciate the amount you do not expense. See the line 19 and line 20 instructions.

To report your share of a section 179 expense deduction from a partnership or an S corporation, write “from Schedule K-1 (Form 1065)” or “from Schedule K-1 (Form 1120S)” across columns (a) and (b).

Line 10

The carryover of disallowed deduction from 2007 is the amount of section 179 property, if any, you elected to expense in previous years that was not allowed as a deduction because of the business income limitation. If you filed Form 4562 for 2007, enter the amount from line 13 of your 2007 Form 4562.

Line 11

The total cost you can deduct is limited to your taxable income from the active conduct of a trade or business during the year. You are considered to actively conduct a trade or business only if you meaningfully participate in its management or operations. A mere passive investor is not considered to actively conduct a trade or business.

Note. If you have to apply another Code section that has a limitation based on taxable income, see Pub. 946 for rules on how to apply the business income limitation for the section 179 expense deduction.

Individuals. Enter the smaller of line 5 or the total taxable income from any trade or business you actively conducted, computed without regard to any section 179 expense deduction, the deduction for one-half of self-employment taxes under section 164(f), or any net operating loss deduction. Also include all wages, salaries, tips, and other compensation you earned as an employee (from Form 1040, line 7). Do not reduce this amount by unreimbursed employee business expenses. If you are married filing a joint return, combine the total taxable incomes for you and your spouse.

Partnerships. Enter the smaller of line 5 or the partnership's total items of income and expense described in section 702(a) from

any trade or business the partnership actively conducted (other than credits, tax-exempt income, the section 179 expense deduction, and guaranteed payments under section 707(c)).

S corporations. Enter the smaller of line 5 or the corporation's total items of income and expense described in section 1366(a) from any trade or business the corporation actively conducted (other than credits, tax-exempt income, the section 179 expense deduction, and the deduction for compensation paid to the corporation's shareholder-employees).

Corporations other than S corporations.

Enter the smaller of line 5 or the corporation's taxable income before the section 179 expense deduction, net operating loss deduction, and special deductions (excluding items not derived from a trade or business actively conducted by the corporation).

Line 12

The limitations on lines 5 and 11 apply to the taxpayer, and not to each separate business or activity. Therefore, if you have more than one business or activity, you may allocate your allowable section 179 expense deduction among them.

To do so, write “Summary” at the top of Part I of the separate Form 4562 you are completing for the total amounts from all businesses or activities. Do not complete the rest of that form. On line 12 of the Form 4562 you prepare for each separate business or activity, enter the amount allocated to the business or activity from the “Summary.” No other entry is required in Part I of the separate Form 4562 prepared for each business or activity.

Part II. Special Depreciation Allowance and Other Depreciation

Line 14

For qualified property (defined below) placed in service during the tax year, you may be able to take an additional 50% (or 30%, if applicable) special depreciation allowance. The special depreciation allowance applies only for the first year the property is placed in service. The allowance is an additional deduction you can take after any section 179 expense deduction and before you figure regular depreciation under the modified accelerated cost recovery system (MACRS).

Qualified property. You can take the special depreciation allowance for qualified New York Liberty Zone (Liberty Zone) property (other than qualified Liberty Zone leasehold improvement property), qualified GO Zone property, qualified cellulosic biomass ethanol plant property, qualified Recovery Assistance property, qualified reuse and recycling property placed into service after August 31, 2008, qualified cellulosic biofuel plant property placed in

service after October 3, 2008, qualified disaster assistance property, and certain qualified property acquired after December 31, 2007, and placed in service before January 1, 2009.



You may be able to take a special depreciation allowance for qualified Recovery Assistance property you acquired after May 4, 2007, and placed in service in the Kansas disaster area. For more information, see Pub. 4492-A and Notice 2008-67, 2008-32 I.R.B. 307, available at www.irs.gov/irb/2008-32_irb/ar14.html.

Qualified New York Liberty Zone (Liberty Zone) property. Qualified Liberty Zone property is nonresidential real property or residential rental property.

The following rules also apply.

- The 30% special depreciation allowance applies to qualified Liberty Zone property.
- You must have acquired qualified Liberty Zone property by purchase after September 10, 2001. If a binding contract to acquire the property existed before September 11, 2001, the property does not qualify.
- Qualified Liberty Zone property must be placed in service before January 1, 2010.
- The original use of the property within the Liberty Zone must begin with you.
- Substantially all (80% or more) of the use of the property must be in the Liberty Zone in the active conduct of your trade or business.
- For property you sold and leased back or for self-constructed property, special rules apply. See section 1400L(b)(2)(D).

Qualified GO Zone property. Qualified GO Zone property, including specified GO Zone extension property (defined below), is nonresidential real property and residential rental property.

Specified GO Zone extension property is:

1. Nonresidential real property or residential rental property placed in service in specified areas of the GO Zone (as defined in section 1400N(d)(6)(C)) before January 1, 2011, or
2. Any of the following types of property placed in service in a building described above before January 1, 2011.
 - a. Tangible property depreciated under MACRS with a recovery period of 20 years or less,
 - b. Water utility property (see 25-year property on page 8),
 - c. Computer software defined in and depreciated under section 167(f)(1), or
 - d. Qualified leasehold improvement property.

In addition, substantially all (80% or more) of the use of the property described in (a) through (d) above must be in the building and placed in service no later than 90 days after the building is placed in service.

For information, see section 1400N(d)(6) and Notice 2007-36, 2007-17 I.R.B. 1000 at www.irs.gov/irb/2007-17_IRB/ar12.html.

The following rules also apply.

- The 50% special depreciation allowance applies to specified GO Zone extension property (defined above). For nonresidential real or residential rental property that is specified GO Zone extension property, only the adjusted basis of the property attributable to manufacture, construction, or production before January 1, 2010, is eligible for the special depreciation allowance.
- You must have acquired qualified GO Zone property, including specified GO Zone extension property (defined earlier), by purchase after August 27, 2005. If a binding contract to acquire the property existed before August 28, 2005, the property does not qualify.
- Qualified GO Zone property, other than specified GO Zone extension property (defined earlier), must be placed in service before January 1, 2009.
- The original use of the property within the GO Zone must begin with you after August 27, 2005.
- Substantially all (80% or more) of the use of the property must be in the GO Zone in the active conduct of your trade or business.
- For property you sold and leased back or for self-constructed property, special rules apply. See section 1400N(d)(3).

Qualified cellulosic biomass ethanol plant property and qualified cellulosic biofuel plant property. Qualified cellulosic biomass ethanol plant property is property used solely in the U.S. to produce cellulosic biomass ethanol. Cellulosic biomass ethanol is ethanol produced by hydrolysis of any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis. For example, lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis includes bagasse (from sugar cane), corn stalks, and switchgrass.

Qualified cellulosic biofuel plant property is property used solely in the U.S. to produce cellulosic biofuel. Cellulosic biofuel is any liquid fuel which is produced from any lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis. For example, lignocellulosic or hemicellulosic matter that is available on a renewable or recurring basis includes bagasse (from sugar cane), corn stalks, and switchgrass.

The 50% special depreciation allowance applies to qualified cellulosic biomass ethanol plant property and qualified cellulosic biofuel plant property. The property must also meet the following requirements.

- The original use of the property must begin with you after December 20, 2006.
- You must have acquired the property by purchase after December 20, 2006. If a binding contract to acquire the property existed before December 21, 2006, the property does not qualify.
- Qualified cellulosic biomass ethanol property must be placed in service for use in your trade or business or for the production of income before January 1, 2013.

- Qualified cellulosic biofuel plant property must be placed in service for use in your trade or business or for the production of income after October 3, 2008, and before January 1, 2013.
- For property you sold and leased back or for self-constructed property, special rules apply. See section 168(l)(5).

Certain qualified property acquired after December 31, 2007, and placed in service before January 1, 2009. Certain qualified property (defined below) acquired after December 31, 2007, is eligible for a 50% special depreciation allowance. If a binding contract to acquire the property existed before January 1, 2008, the property does not qualify.

Qualified property includes the following.

- Tangible property depreciated under MACRS with a recovery period of 20 years or less.
- Water utility property (see 25-year property on page 8).
- Computer software defined in and depreciated under section 167(f)(1).
- Qualified leasehold improvement property.

Qualified property must also be placed in service before January 1, 2009 (before January 1, 2010, for certain property with a long production period and for certain aircraft). The original use of the property must begin with you after December 31, 2007.

Qualified reuse and recycling property. Certain qualified reuse and recycling property (defined below) placed in service after August 31, 2008, is eligible for a 50% special depreciation allowance.

Qualified reuse and recycling property includes any machinery and equipment (not including buildings or real estate), along with any appurtenance, that is used exclusively to collect, distribute, or recycle qualified reuse and recyclable materials. This includes software necessary to operate such equipment. See section 168(m)(3) for more information.

Qualified reuse and recycling property must also meet all of the following tests.

- The property must be depreciated under MACRS.
- The property must have a useful life of at least 5 years.
- You must have acquired the property by purchase after August 31, 2008. If a binding contract to acquire the property existed before September 1, 2008, the property does not qualify.
- The property must be placed in service after August 31, 2008.
- The original use of the property must begin with you after August 31, 2008.
- For self-constructed property, special rules apply. See section 168(m)(2)(C).

Qualified reuse and recycling property does not include rolling stock or other equipment used to transport reuse and recyclable materials or any property to which section 168(g) or (k) applies.

Qualified disaster assistance

property. You may be able to take a 50% special depreciation allowance for qualified disaster assistance property (defined below) placed in service in federally declared disaster areas in which the disaster occurred after December 31, 2007. A list of the federally declared disaster areas is available at the FEMA web site at www.fema.gov.

Qualified disaster assistance property is:

- Tangible property depreciated under MACRS with a recovery period of 20 years or less,
- Computer software defined in and depreciated under section 167(f)(1),
- Water utility property (see 25-year property on page 8),
- Qualified leasehold improvement property,
- Nonresidential real property, or
- Residential rental property.

Qualified disaster assistance property must also meet all of the following rules.

- The property must rehabilitate property damaged, or replace property destroyed or condemned, as a result of the applicable federally declared disaster area.
- The property must be similar in nature to, and located in the same county as, the property being rehabilitated or replaced.
- Substantially all (80% or more) of the use of the property must be in the active conduct of your trade or business in a federally declared disaster area.
- You must have acquired the property by purchase on or after the applicable disaster date. If a binding contract to acquire the property existed before the applicable disaster date, the property does not qualify.
- The original use of the property within the applicable disaster area must begin with you on or after the applicable disaster date.
- The property is placed in service by you on or before the date which is the last day of the third calendar year following the applicable disaster date (the fourth calendar year in the case of nonresidential real property and residential rental property).
- For property you sold and leased back or for self-constructed property special rules apply. See section 168(n)(2)(C).

For more information, see Pub. 946.

Election to accelerate research and minimum tax credits in lieu of special depreciation allowance. Corporations and a certain automotive partnership may elect to claim pre-2006 unused research credits or minimum tax credits in lieu of claiming the special depreciation allowance for certain property (as defined in section 168(k)(4)(D)) acquired after March 31, 2008, and placed in service before January 1, 2009.

If the election is made, the taxpayer must **not** take the 50% special depreciation allowance for the property and **must** depreciate the basis in the property under MACRS using the straight line method. See *Lines 19a Through 19i* on page 7 for more information.

Once made, the election cannot be revoked without IRS consent.

For more information on making this election, see Form 3800, General Business Credit; Form 8827, Credit for Prior Year Minimum Tax—Corporations; and related instructions. Also, see section 168(k)(4).

Exceptions. Qualified property does not include:

- Listed property used 50% or less in a qualified business use (as defined in the instructions for lines 26 and 27),
- Any property required to be depreciated under the alternative depreciation system (ADS) (that is, not property for which you elected to use ADS),
- Qualified Liberty Zone leasehold improvement property,
- Property placed in service and disposed of in the same tax year,
- Property converted from business or income-producing use to personal use in the same tax year it is acquired, or
- Property for which you elected not to claim any special depreciation allowance.
- Any qualified restaurant property (as defined in section 168(e)(7)) placed in service after December 31, 2008.
- Any qualified retail improvement property (as defined in section 168(e)(8)) placed in service after December 31, 2008.

Qualified GO Zone property, including specified GO Zone extension property, also does not include:

- Any tax-exempt bond financed property under section 103,
- Any qualified revitalization building for which you have elected to deduct expenditures under section 1400I, or
- Any property described in section 1400N(p)(3).

In addition, qualified cellulosic biomass ethanol and cellulosic biofuel plant property does not include the following:

- Any tax-exempt bond financed property under section 103.
- Any property for which a deduction was taken under section 179C for certain qualified refinery property.

Qualified disaster assistance property does not include:

- Other bonus depreciation property to which section 168(k) or section 1400N(d) applies.
- Any property described in section 1400N(p)(3).
- Any tax-exempt bond financed property under section 103.
- Any qualified revitalization building for which you have elected to deduct expenditures under section 1400I(a).
- Any property to which section 168(g) applies.

See sections 168(k), 168(l), 168(m), 168(n), 1400L(b), and 1400N(d) for additional information. Also, see Pub. 946.

How to figure the allowance. Figure the special depreciation allowance by multiplying the depreciable basis of the property by 50% (or 30%, if applicable).

To figure the depreciable basis, subtract from the business/investment portion of the cost or other basis of the property any credits and deductions allocable to the property. The following are examples of some credits and deductions that reduce the depreciable basis.

- Section 179 expense deduction.
 - Deduction for removal of barriers to the disabled and the elderly.
 - Disabled access credit.
 - Enhanced oil recovery credit.
 - Credit for employer-provided childcare facilities and services.
 - Basis adjustment to investment credit property under section 50(c).
- For additional credits and deductions that affect the depreciable basis, see section 1016. Also, see Pub. 946.

Note. If you acquired qualified property through a like-kind exchange or involuntary conversion, the carryover basis and any excess basis of the acquired property is eligible for the special depreciation allowance. See Regulations section 1.168(k)-1(f)(5).



If you take the 30% or 50% special depreciation allowance, you must reduce the amount on which you figure your regular depreciation or amortization deduction by the amount deducted. Also, you will not have any AMT adjustment for the property if the depreciable basis of the property for the AMT is the same as for the regular tax.

Election out. You can elect, for any class of property, to not deduct any special depreciation allowance for all such property in such class placed in service during the tax year.

To make an election, attach a statement to your timely filed return (including extensions) indicating the class of property for which you are making the election and that, for such class you are not to claim any special depreciation allowance.

The election must be made separately by each person owning qualified property (for example, by the partnership, by the S corporation, or by the common parent of a consolidated group).

If you timely filed your return without making an election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding extensions). Write "Filed pursuant to section 301.9100-2" on the amended return.

Once made, the election cannot be revoked without IRS consent.

Note. If you elect not to have any special depreciation allowance apply, the property may be subject to an AMT adjustment for depreciation.

Recapture. When you dispose of property for which you claimed a special depreciation allowance, any gain on the disposition is generally recaptured (included in income) as ordinary income up to the amount of the special depreciation allowance you

deducted. If qualified GO Zone property ceases to be qualified GO Zone property, if qualified Recovery Assistance property ceases to be qualified Recovery Assistance property, if qualified cellulosic biomass ethanol plant property ceases to be qualified cellulosic biomass ethanol plant property, if qualified cellulosic biofuel plant property ceases to be qualified cellulosic biofuel plant property, or if qualified disaster assistance property ceases to be qualified disaster assistance property in any year after the year you claim the special depreciation allowance, the excess benefit you received from claiming the special depreciation allowance must be recaptured as ordinary income. For information on depreciation recapture, see Pub. 946. Also, see Notice 2008-25, 2008-9 I.R.B. 484, available at www.irs.gov/irb/2008-9_IRB/ar10.html for additional guidance on recapture of qualified GO Zone property.

Line 15

Report on this line depreciation for property that you elect to depreciate under the unit-of-production method or any other method not based on a term of years (other than the retirement-replacement-betterment method).

Attach a separate sheet showing:

- A description of the property and the depreciation method you elect that excludes the property from MACRS or the Accelerated Cost Recovery System (ACRS); and
- The depreciable basis (cost or other basis reduced, if applicable, by salvage value, any section 179 expense deduction, deduction for removal of barriers to the disabled and the elderly, disabled access credit, enhanced oil recovery credit, credit for employer-provided childcare facilities and services, any special depreciation allowance, and any other applicable deduction or credit).

For additional credits and deductions that may affect the depreciable basis, see section 1016. Also, see section 50(c) to determine the basis adjustment for investment credit property.

Line 16

Enter the total depreciation you are claiming for the following types of property (except listed property and property subject to a section 168(f)(1) election).

- ACRS property (pre-1987 rules). See Pub. 534.
- Property placed in service before 1981.
- Certain public utility property which does not meet certain normalization requirements.
- Certain property acquired from related persons.
- Property acquired in certain nonrecognition transactions.
- Certain sound recordings, movies, and videotapes.
- Property depreciated under the income forecast method. The use of the income forecast method is limited to motion picture

films, videotapes, sound recordings, copyrights, books, and patents.

If you use the income forecast method for any property placed in service after September 13, 1995, you may owe interest or be entitled to a refund for the 3rd and 10th tax years beginning after the tax year the property was placed in service. For details, see Form 8866, Interest Computation Under the Look-Back Method for Property Depreciated Under the Income Forecast Method.

For property placed in service in the current tax year, you can either include certain participations and residuals in the adjusted basis of the property or deduct these amounts when paid. See section 167(g)(7). You cannot use this method to depreciate any amortizable section 197 intangible. See page 14 of the instructions for more details on section 197 intangibles.

You can elect to amortize all applicable expenses paid or incurred in the current year in creating or acquiring musical compositions or copyrights to musical compositions placed in service during the tax year. If you make the election, amortize the expenses ratably over a 5-year period beginning with the month the property is placed in service. See section 167(g)(8). This election does not apply to the following:

1. Expenses that are qualified creative expenses under section 263A(h);
2. Property to which a simplified procedure established under section 263A(j) applies;
3. Property that is an amortizable section 197 intangible; or
4. Expenses that would not be allowable as a deduction.
 - Intangible property, other than section 197 intangibles, including:
 1. Computer software. Use the straight line method over 36 months. A longer period may apply to software 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 167(f)(1)(C).



If you elect the section 179 expense deduction or take the special depreciation allowance for qualified computer software, you must reduce the amount on which you figure your regular depreciation deduction by the amount deducted.

2. Any right to receive tangible property or services under a contract or granted by a governmental unit (not acquired as part of a business).
3. Any interest in a patent or copyright not acquired as part of a business.
4. Residential mortgage servicing rights. Use the straight line method over 108 months.
5. Other intangible assets with a limited useful life that cannot be estimated with reasonable accuracy. Generally, use the straight line method over 15 years. See

Regulations section 1.167(a)-3(b) for details and exceptions.



Prior years' depreciation, plus current year's depreciation, can never exceed the depreciable basis of the property.

Part III. MACRS Depreciation

The term "Modified Accelerated Cost Recovery System" (MACRS) includes the General Depreciation System and the Alternative Depreciation System. Generally, MACRS is used to depreciate any tangible property placed in service after 1986. However, MACRS does not apply to films, videotapes, and sound recordings. For more details and exceptions, see Pub. 946.

Section A

Line 17

For tangible property placed in service in tax years beginning before 2007 and depreciated under MACRS, enter the deductions for the current year. To figure the deductions, see the instructions for line 19, column (g).

Line 18

To simplify the computation of MACRS depreciation, you can elect to group assets into one or more general asset accounts. The assets in each general asset account are depreciated as a single asset.

Each general asset account must include only assets that were placed in service during the same tax year with the same asset class (if any), depreciation method, recovery period, and convention. However, an asset cannot be included in a general asset account if the asset is used both for personal purposes and business/investment purposes.

When an asset in an account is disposed of, the amount realized generally must be recognized as ordinary income. The unadjusted depreciable basis and depreciation reserve of the general asset account are not affected as a result of a disposition.

Special rules apply to passenger automobiles, assets generating foreign source income, assets converted to personal use, certain asset dispositions, and like-kind exchanges or involuntary conversions of property in a general asset account. For more details, see Regulations section 1.168(i)-1.

To make the election, check the box on line 18. You must make the election on your return filed no later than the due date (including extensions) for the tax year in which the assets included in the general asset account were placed in service. Once made, the election is irrevocable and applies to the tax year for which the election is made and all later tax years.

For more information on depreciating property in a general asset account, see Pub. 946.

Section B

Property acquired in a like-kind exchange or involuntary conversion.

Generally, you must depreciate the carryover basis of property you acquire in a like-kind exchange or involuntary conversion during the current tax year over the remaining recovery period of the property exchanged or involuntarily converted. Use the same depreciation method and convention that was used for the exchanged or involuntarily converted property. Treat any excess basis as newly placed in service property. Figure depreciation separately for the carryover basis and the excess basis, if any.

These rules apply only to acquired property with the same or a shorter recovery period or the same or a more accelerated depreciation method than the property exchanged or involuntarily converted. For additional rules, see Regulations section 1.168(i)-6(c) and Pub. 946.

Election out. Instead of using the above rules, you can elect, for depreciation purposes, to treat the adjusted basis of the exchanged property as if it was disposed of at the time of the exchange or involuntary conversion. Generally, treat the carryover basis and excess basis, if any, for the acquired property as if placed in service on the date you acquired it. The depreciable basis of the new property is the adjusted basis of the exchanged or involuntarily converted property plus any additional amount paid for it. See Regulations section 1.168(i)-6(i).

To make the election, figure the depreciation deduction for the new property in Part III. For listed property, use Part V. Attach a statement indicating "Election made under section 1.168-6(i)" for each property involved in the exchange or involuntary conversion. The election must be made separately by each person acquiring replacement property (for example, by the partnership, by the S corporation, or by the common parent of a consolidated group). The election must be made on your timely filed return (including extensions). Once made, the election cannot be revoked without IRS consent.



If you trade in a vehicle used for employee business use, complete Form 2106, Part II, Section D, instead of Form 4562, to "elect out" of Regulations section 1.168(i)-6. If you do not "elect out," you must use Form 4562 instead of Form 2106. See the Instructions for Form 2106.

Lines 19a Through 19i

Use lines 19a through 19i only for assets placed in service during the tax year beginning in 2008 and depreciated under the General Depreciation System (GDS),

except for automobiles and other listed property (which are reported in Part V).

Column (a) — Classification of property. Sort the property you acquired and placed in service during the tax year beginning in 2008 according to its classification (3-year property, 5-year property, etc.) as shown in column (a) of lines 19a through 19i. The classifications for some property are shown below. For property not shown, see *Determining the classification* below.

3-year property includes:

- A race horse that is more than 2 years old at the time it is placed in service before January 1, 2009.

Note. Any race horse placed in service after December 31, 2008, and before January 1, 2014, is treated as 3-year property (regardless of the age of the race horse).

- Any horse (other than a race horse) that is more than 12 years old at the time it is placed in service.
- Any qualified rent-to-own property (as defined in section 168(i)(14)).

5-year property includes:

- Automobiles.
- Light general purpose trucks.
- Typewriters, calculators, copiers, and duplicating equipment.
- Any semi-conductor manufacturing equipment.
- Any computer or peripheral equipment.
- Any section 1245 property used in connection with research and experimentation.
- Certain energy property specified in section 168(e)(3)(B)(vi).
- Appliances, carpets, furniture, etc., used in a rental real estate activity.
- Any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) used in a farming business (as defined in section 263A(e)(4)) where the original use begins with the taxpayer after December 31, 2008, and is placed in service before January 1, 2010.

7-year property includes:

- Office furniture and equipment.
- Railroad track.
- Any motorsports entertainment complex (as defined in section 168(i)(15)).
- Any natural gas gathering line (as defined in section 168(i)(17)) placed in service after April 11, 2005, the original use of which begins with you after April 11, 2005, and is not under self-construction or subject to a binding contract in existence before April 12, 2005. Also, no AMT adjustment is required.
- Any property that does not have a class life and is not otherwise classified.

10-year property includes:

- Vessels, barges, tugs, and similar water transportation equipment.
- Any single purpose agricultural or horticultural structure (see section 168(i)(13)).
- Any tree or vine bearing fruit or nuts.
- Any qualified smart electric meter property placed in service after October 3, 2008.

- Any qualified smart electric grid system property placed in service after October 3, 2008.

15-year property includes:

- Any municipal wastewater treatment plant.
- Any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications.
- Any section 1250 property that is a retail motor fuels outlet (whether or not food or other convenience items are sold there).
- Any qualified leasehold improvement property.
- Any qualified restaurant property.
- Initial clearing and grading land improvements for gas utility property.
- Certain electric transmission property specified in section 168(e)(3)(E)(vii) placed in service after April 11, 2005, the original use of which begins with you after April 11, 2005, and is not under self-construction or subject to a binding contract in existence before April 12, 2005.
- Any natural gas distribution line placed in service after April 11, 2005, the original use of which begins with you after April 11, 2005, and is not under self-construction or subject to a binding contract in existence before April 12, 2005.
- Any qualified retail improvement property (as defined in section 168(e)(8)) placed in service after December 31, 2008.

20-year property includes:

- Farm buildings (other than single purpose agricultural or horticultural structures).
- Municipal sewers not classified as 25-year property.
- Initial clearing and grading land improvements for electric utility transmission and distribution plants.

25-year property is water utility property, which is:

- Property that is an integral part of the gathering, treatment, or commercial distribution of water that, without regard to this classification, would be 20-year property.
- Municipal sewers. This classification does not apply to property placed in service under a binding contract in effect at all times since June 9, 1996.

Residential rental property is a building in which 80% or more of the total rent is from dwelling units.

Nonresidential real property is any real property that is neither residential rental property nor property with a class life of less than 27.5 years.

50-year property includes any improvements necessary to construct or improve a roadbed or right-of-way for railroad track that qualifies as a railroad grading or tunnel bore under section 168(e)(4).

There is no separate line to report 50-year property. Therefore, attach a

statement showing the same information as required in columns (a) through (g). Include the deduction in the line 22 "Total" and write "See attachment" in the bottom margin of the form.

Determining the classification. If your depreciable property is not listed above, determine the classification as follows.

1. Find the property's class life. See the Table of Class Lives and Recovery Periods in Pub. 946.

2. Use the following table to find the classification in column (b) that corresponds to the class life of the property in column (a).

(a) Class life (in years) (See Pub. 946)	(b) Classification
4 or less	3-year property
More than 4 but less than 10	5-year property
10 or more but less than 16	7-year property
16 or more but less than 20	10-year property
20 or more but less than 25	15-year property
25 or more	20-year property

Column (b) — Month and year placed in service. For lines 19h and 19i, enter the month and year you placed the property in service. If you converted property held for personal use to use in a trade or business or for the production of income, treat the property as being placed in service on the conversion date.

Column (c) — Basis for depreciation (business/investment use only). To find the basis for depreciation, multiply the cost or other basis of the property by the percentage of business/investment use.

From that result, subtract any credits and deductions allocable to the property. The following are examples of some credits and deductions that reduce the basis for depreciation.

- Section 179 expense deduction.
- Deduction under section 179C for certain qualified refinery property.
- Deduction under section 179D for certain energy efficient commercial building property.
- Deduction for removal of barriers to the disabled and the elderly.
- Disabled access credit.
- Enhanced oil recovery credit.
- Credit for alternative fuel vehicle refueling property.
- Credit for employer-provided childcare facilities and services.
- Any special depreciation allowance included on line 14.
- Any basis adjustment for investment credit property. See section 50(c).

For additional credits and deductions that affect the depreciable basis, see section 1016 and Pub. 946.

Column (d) — Recovery period.

Determine the recovery period from the following table. See Pub. 946 for more information on the recovery period for MACRS property.

Recovery Period for Most Property	
Classification	Recovery period
3-year property	3 yrs.
5-year property	5 yrs.
7-year property	7 yrs.
10-year property	10 yrs.
15-year property	15 yrs.
20-year property	20 yrs.
25-year property	25 yrs.
Residential rental property	27.5 yrs.
Nonresidential real property	39 yrs.
Railroad gradings and tunnel bores	50 yrs.

Indian reservation property. For qualified Indian reservation property placed in service during the tax year, the following shorter recovery periods apply.

Recovery Period for Qualified Indian Reservation Property	
Property class	Recovery period
3-year property	2 yrs.
5-year property	3 yrs.
7-year property	4 yrs.
10-year property	6 yrs.
15-year property	9 yrs.
20-year property	12 yrs.
Nonresidential real property	22 yrs.

For example, figure depreciation on 5-year property acquired during the tax year that is qualified Indian reservation property in the same manner as depreciation is figured for 3-year property that is not qualified Indian reservation property. Report the depreciation on line 19b, entering “3 yrs.” as the recovery period in column (d).

For more information, including the definition of qualified property, see Pub. 946.

Column (e) — Convention. The applicable convention determines the portion of the tax year for which depreciation is allowable during a year property is either placed in service or disposed of. There are three types of conventions. To select the correct convention, you must know the type of property and when you placed the property in service.

Half-year convention. This convention applies to all property reported on lines 19a through 19g, unless the mid-quarter convention applies. It does not apply to residential rental property, nonresidential real property, and railroad gradings and tunnel bores. It treats all property placed in service (or disposed of) during any tax year as placed in service (or disposed of) on the

midpoint of that tax year. Enter “HY” in column (e).

Mid-quarter convention. If the total depreciable bases (before any special depreciation allowance) of MACRS property placed in service during the last 3 months of your tax year exceed 40% of the total depreciable bases of MACRS property placed in service during the entire tax year, the mid-quarter, instead of the half-year, convention generally applies.

In determining whether the mid-quarter convention applies, do not take into account the following.

- Property that is being depreciated under a method other than MACRS.
- Any residential rental property, nonresidential real property, or railroad gradings and tunnel bores.
- Property that is placed in service and disposed of within the same tax year.

The mid-quarter convention treats all property placed in service (or disposed of) during any quarter as placed in service (or disposed of) on the midpoint of that quarter. However, no depreciation is allowed under this convention for property that is placed in service and disposed of within the same tax year. Enter “MQ” in column (e).

Mid-month convention. This convention applies only to residential rental property (line 19h), nonresidential real property (line 19i), and railroad gradings and tunnel bores. It treats all property placed in service (or disposed of) during any month as placed in service (or disposed of) on the midpoint of that month. Enter “MM” in column (e).

Column (f) — Method. Applicable depreciation methods are prescribed for each classification of property as follows. However, you can make an irrevocable election to use the straight line method for all property within a classification that is placed in service during the tax year. Enter “200 DB” for 200% declining balance, “150 DB” for 150% declining balance, or “S/L” for straight line.

Note. If you elected to accelerate pre-2006 unused research and minimum tax credits in lieu of special depreciation allowance for eligible property (as discussed on page 5), you must depreciate the basis in the property using the straight line method. Enter “S/L” in this column for the applicable property classification. If you are depreciating other property in the same classification as the property for which this election was made and using a different method, enter “Various” in this column.

• **3-, 5-, 7-, and 10-year property.** Generally, the applicable method is the 200% declining balance method, switching to the straight line method in the first tax year that the straight line rate exceeds the declining balance rate.

Note. The straight line method is the only applicable method for trees and vines bearing fruit or nuts. The 150% declining balance method is the only applicable method for any qualified smart electric meter

or any qualified smart electric grid system property placed in service after October 3, 2008.

For 3-, 5-, 7-, or 10-year property eligible for the 200% declining balance method, you can make an irrevocable election to use 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. The election applies to all property within the classification for which it is made and that was placed in service during the tax year. You will not have an AMT adjustment for any property included under this election.

- **15- and 20-year property (not including qualified leasehold improvement, qualified restaurant property, or qualified retail improvement 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.
- **Water utility property, residential rental property, nonresidential real property, qualified leasehold improvement property, qualified restaurant property, qualified retail improvement property placed in service after December 31, 2008, 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 on page 16. 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 below. 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 one). For example, if there are 6½ 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

Mid-month (MM) convention

Placed in service (or disposed of) during the:	Placed in service	Disposed of
1st month	0.9583	0.0417
2nd month	0.8750	0.1250
3rd month	0.7917	0.2083
4th month	0.7083	0.2917
5th month	0.6250	0.3750
6th month	0.5417	0.4583
7th month	0.4583	0.5417
8th month	0.3750	0.6250
9th month	0.2917	0.7083
10th month	0.2083	0.7917
11th month	0.1250	0.8750
12th month	0.0417	0.9583

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 20c

Complete lines 20a through 20c for assets, other than automobiles and other listed property, placed in service only during the tax year beginning in 2008 and depreciated under the Alternative Depreciation System (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) not to have the uniform capitalization rules of section 263A apply.

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 may 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 and nonresidential real property.

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 write "See attachment" in the bottom margin of the form.

Column (b) — Month and year placed in service. For 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 deductions taken during the 2008 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,
- Any deduction under section 179C for certain qualified refinery property, and
- Any deduction under section 179D for certain energy efficient commercial building property.

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 (other than an electing large 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 or 2106-EZ, report this information on that form and not in Part V. Also, if you file Schedule C (Form 1040) or Schedule C-EZ (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 or in Part III of Schedule C-EZ 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 property after December 31, 2007, certain specified GO Zone extension property, qualified Recovery Assistance property, or qualified disaster assistance property during the tax year, you may be able to deduct an additional special depreciation allowance. 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 on page 12 for limitations on passenger vehicles and trucks and vans. 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* on page 12.



CAUTION 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* on page 7. 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 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, etc.).

In column (a), list the make and model 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.

Employers who report the amount of personal use of the vehicle in the employee's gross income, and withhold the appropriate taxes, should enter "100%" for the percentage of business/investment use. For more information, see Pub. 463.

For other listed property (such as computers 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* on page 7.

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 (i.e., 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). Write "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, write "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*, below, 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 2008, 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 2008, 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 section 179 expense deduction, 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 (other than a truck or van) placed in service in 2008 (for which you elect not to claim any special depreciation allowance) that is used 60% for business/investment, the limit is \$1,776 (\$2,960 x 60%).

Definitions. 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 Placed in Service Before 2004 (excluding electric passenger automobiles placed in service after August 5, 1997)

IF you placed your automobile in service:	THEN the limit on your depreciation and section 179 expense deduction is:
June 19—Dec. 31, 1984	\$6,000
Jan. 1—Apr. 2, 1985	\$6,200
Apr. 3, 1985—Dec. 31, 1986	\$4,800
Jan. 1, 1987—Dec. 31, 1990	\$1,475
Jan. 1, 1991—Dec. 31, 1992	\$1,575
Jan. 1, 1993—Dec. 31, 1994	\$1,675
Jan. 1, 1995—Dec. 31, 2003	\$1,775

Table 2—Limits for Passenger Automobiles Placed in Service After 2003 (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 — Dec. 31, 2006	3	\$2,850
	4	\$1,775
Jan. 1 — Dec. 31, 2007	2	\$4,900
	3	\$2,850
Jan. 1 — Dec. 31, 2008	1	\$2,960*
	2	\$4,800

* If you elect to take the special depreciation allowance for qualified passenger automobiles placed in service in 2008, the limit is \$10,960.

Table 3—Limits for Trucks and Vans Placed in Service After 2002

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:
Jan. 1 — Dec. 31, 2003	4 or more	\$1,975
Jan. 1, 2004 — Dec. 31, 2005	4 or more	\$1,875
Jan. 1 — Dec. 31, 2006	3	\$3,150
	4	\$1,875
Jan. 1 — Dec. 31, 2007	2	\$5,200
	3	\$3,050
Jan. 1 — Dec. 31, 2008	1	\$3,160*
	2	\$5,100

* If you elect to take the special depreciation allowance for qualified trucks and vans placed in service in 2008, the limit is \$11,160.

Table 4—Limits for Electric Passenger Automobiles Placed in Service After August 5, 1997, and Before January 1, 2007

IF you placed your electric 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:
Aug. 6, 1997 — Dec. 31, 1998	4 or more	\$5,425
Jan. 1, 1999 — Dec. 31, 2002	4 or more	\$5,325
Jan. 1 — Dec. 31, 2003	4 or more	\$5,225
Jan. 1, 2004 — Dec. 31, 2005	4 or more	\$5,125
Jan. 1 — Dec. 31, 2006	3	\$8,650
	4	\$5,225

Note. The limit for automobiles (including trucks and vans) placed in service after December 31, 2008, will be published in the Internal Revenue Bulletin. These amounts were not available at the time these instructions were printed.

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 \$25,000 of the cost of any sport utility vehicle (SUV) 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 \$25,000 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 six 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 (e.g., 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 (e.g., 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 (e.g., 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, regulations, and Pub. 535 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 2008.

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 U.S. ratably over a 24-month period. For major integrated oil company (as defined in section 167(h)(5)), the costs paid or incurred after May 17, 2006, and before December 20, 2007, must be amortized ratably over a 5-year period (a 7-year period for costs paid or incurred after December 19, 2007), beginning on the mid-point of the tax year in which the expenses were paid or incurred. See section 167(h).

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. See Pub. 535 for more information.



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.

Certain bond premiums (section 171).

For individuals reporting amortization of bond premium for bonds acquired before October 23, 1986, do not report the deduction here. See the instructions for Schedule A (Form 1040), line 28.

For taxpayers (other than corporations) claiming a deduction for amortization of bond premium for 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. See section 171 and Regulations section 1.171-4 for more

information. Individuals, also see Pub. 550, Investment Income and Expenses.

Research and experimental expenditures (section 174). You can elect to either amortize your research and experimental costs, deduct them as current business expenses, or write them off over a 10-year period. If you elect to amortize these costs, deduct them in equal amounts over 60 months or more. For more information, see Pub. 535.

The cost of acquiring a lease (section 178). Amortize these costs over the term of the lease. For more information, see Pub. 535.

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 for more information.

See Pub. 535 for more information on amortizing reforestation costs. Partnerships and S corporations, also see the instructions for line 44.

Qualified revitalization expenditures (section 1400I). These amounts are certain capital expenditures that relate to a qualified revitalization building located in an area designated as a renewal community. The amount of qualified revitalization expenditures cannot exceed the commercial revitalization expenditure amount allocated to the qualified revitalization building by the commercial revitalization agency for the state in which the building is located.

You can elect to either: (a) deduct one-half of the expenditures for the year the building is placed in service; or (b) amortize all such expenditures ratably over the 120-month period beginning with the month the building is placed in service. Report any amortization on line 42. Report any deductions on the applicable "Other Deductions" or "Other Expenses" line of your return. This deduction is treated as depreciation for purposes of basis adjustments and ordinary income recapture upon disposition.

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, and
- Research and experimental expenditures (section 174(a)), mining exploration and development costs (sections 616(a) and 617(a)) — 10 years.

For information on making the election, see Regulations section 1.59-1. Also see Pub. 535.

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 (e.g., 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; and
- 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 fair market value exceeds the adjusted basis.

For more details on section 197 intangibles, see Pub. 535.

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

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

For business start-up and organizational costs paid or incurred after September 8, 2008, you can deduct a limited amount of start-up 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 Temporary Regulations sections 1.195-1T and 1.248-1T.

For business start-up and organizational costs paid or incurred after October 22, 2004, and before September 9, 2008, you can elect to deduct a limited amount of start-up and organizational costs. If the election is made, you must attach any statement required by Regulations sections 1.195-1(b) and 1.248-1(c). 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 Temporary Regulations sections 1.195-1T and 1.248-1T 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, the provisions under Regulations sections 1.195-1(b) and 1.248-1(c) will apply.

For business start-up 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 start-up 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. Write "Filed pursuant to section 301.9100-2" on the amended return. See Pub. 535 for more details.

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.

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), above.

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 2008 or

2. Multiplying the amount in column (c) by the percentage in column (e).

Line 43

If you are reporting the amortization of costs that began before your 2008 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.

Line 44

Report the total amortization, including the allowable portion of forestation or reforestation amortization, on the applicable "Other Deductions" or "Other Expenses" line of your return. For more details, including

limitations that apply, see Pub. 535. Partnerships (other than electing large 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 1120S). See the instructions for Schedule K (Form 1065 or 1120S) 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, 38 hr., 29 min.;

Learning about the law or the form, 4 hr., 16 min.;

Preparing and sending the form to the IRS, 5 hr., 5 min.

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 and Alternative Depreciation System**Method:** 150% declining balance switching to straight line**Convention:** Half-year

Year	If the recovery period is:					
	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						4.462%

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	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	3.636%	3.636%	3.636%	3.636%	3.636%	3.636%	3.637%	3.637%	3.637%	3.637%	3.637%	3.637%

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	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	3.175%	3.174%	3.175%	3.174%	3.175%	3.174%	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%

Depreciation Worksheet (Keep for your records.)

[illegible]

A Alternative Depreciation System: Basis for depreciation 10 Classification of property 10 Conventions 10 Depreciation deduction 10 Placed in service date 10 Recovery period 10 Alternative minimum tax 2 Amortization 13 Amortizable amount 14 Amortization deduction 15 Amortization of costs from prior year 15 Amortization of costs in current year 13 Applicable code section 14 Certain bond premiums 13 Cost of acquiring a lease 14 Creative property costs 14 Date amortization begins 14 Description of costs 13 Forestation and reforestation costs 14 Geological and geophysical expenditures 13 Optional section 59(e) write-off 14 Pollution control facilities 13 Research and experimental expenditures 14 Revitalization expenditures 14 Section 197 intangibles 14 Start-up and organizational costs 14	C Conventions: Half-year 9 Mid-month 9 Mid-quarter 9 <hr/> D Definitions 1 Amortization 2 Commuting 2 Depreciation 1 Listed property 2 Listed property - Exceptions 2 Section 179 property 2 Depreciation: Accelerated Cost Recovery System (ACRS) 6 Assets placed in service in prior year 7 General asset accounts 7 Income forecast method 6 Intangible property 6 Listed property 10 Modified Accelerated Cost Recovery System (MACRS) 7 Alternative Depreciation System 10 General Depreciation System 7 Involuntary conversion 7 Like-kind exchange 7 Other 6 Depreciation methods: Declining balance 9 Straight line 9 Depreciation tables 16-17 Depreciation worksheet 18 <hr/> E Election out: Involuntary conversion 7 Like-kind exchange 7 Special depreciation allowance 6	G General Depreciation System: Basis for depreciation 8 Classification of property 8 Conventions 9 Depreciation deduction 9 Determining the classification 8 Placed in service date 8 Recovery period 9 <hr/> I Involuntary conversion 7 <hr/> L Like-kind exchange 7 Listed property: Basis for depreciation 11 Convention 11 Cost or other basis 11 Depreciation deduction 11 Information on vehicle use 13 Method 11 Passenger automobile limits 12 Definitions 12 Exception 12 Leasehold property exception 12 Tables 12 Percentage of business or investment use 11 Placed in service date 11 Qualified business use 11 Questions for employers on vehicle use 13 Recapture of section 179 expense deduction 13 Recovery period 11 Section 179 expense deduction 12 Special depreciation allowance 11 Type of property 11	R Recapture: Listed property 11, 13 MACRS depreciation 10 Section 179 expense deduction 3, 13 Special depreciation allowance 6 Recordkeeping 2 <hr/> S Section 179 expense deduction 2 Carryover of disallowed deduction 4 Election 2 Limitations: Maximum deduction 3 Sport utility vehicle (SUV) 12 Taxable income 4 Threshold cost of property 3 Listed property 12 Recapture 3, 13 Revocation 3 Special depreciation allowance 4 Election out 6 Figuring the allowance 6 Listed property 11 Qualified property 4 Recapture 6 <hr/> U Uniform capitalization rules 10 Unit-of-production method 6 <hr/> W Where to find additional information 1 Who must file 1
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