The Federal Depreciation Handbook is an all-in-one source for both quick reference and in-depth coverage of depreciation and other cost recovery tax issues. It features detailed tax compliance guidance and is updated annually for legislative, regulatory, judicial administrative changes in the tax laws, rules and IRS forms.

The handbook is a complete resource for determining the correct recovery period, computing the correct amount of depreciation, determining whether expenditures need to be capitalized, dealing with the special rules for autos and other listed property, claiming the Section 179 and bonus depreciation deductions, correcting depreciation errors, working with like-kind exchanges and involuntary conversions, and simplifying a host of other complex tax issues.

The handbook provides accurate answers quickly with:

- Guidance addressing frequently encountered and often challenging depreciation and cost recovery issues.
- Numerous quick reference tables and charts providing easy access to key information, including easy-to-read depreciation tables for MACRS (with or without bonus depreciation), ADS, AMT and ACRS.
- Real-life examples that illustrate how the tax rules apply and how to report depreciation-related items on a tax return.
- A "2013 Developments Summary" section that summarizes significant recent tax law changes.
- Citation to relevant Internal Revenue Code sections, IRS regulations and rulings, and court cases.
- Coverage of property dispositions, including tricky tax rules for installment sales, like-kind exchanges and depreciation recapture.
- Guidance on applying the final tangible property regulations, which specify the allowable tax treatment of costs to acquire, repair or improve tangible property in tax years beginning after 2013 (or electively in tax years beginning after 2011.)
Checkpoint's new Depreciation Calculator enables you to perform quick and easy depreciation calculations for tax planning or for determining the most appropriate depreciation elections when an asset is placed into service. The Depreciation Calculator also generates schedule for this life of the asset.

**With the Depreciation Calculator you will be able to:**

- Determine depreciation deductions for MARCS assets.
- Generate printable and savable depreciation schedules for single assets.
- Enter User Notes to Document Conclusions (e.g., elections).

**Practical Applications Include:**

- Calculating General Depreciation System (GDS), Alternative Depreciation System (ADS) or Alternative Minimum Tax (AMT) deductions for a MARCS asset as well as depreciation deductions under available elections.
- Determining the recovery period, depreciation system and convention that applies to a MARCS asset using the Federal Depreciation Handbook.
- Calculating future depreciation amounts to include in tax planning and other financial projections.
- Documenting conclusions to support how a MARCS asset will be depreciated.

**The Federal Depreciation Handbook and Calculator offer:**

- Integrated Depreciation Guidance + Calculator.
- Actionable, relevant content, including tax return preparation guidance.
- Links to and from primary law and all of the user's tax research products.

**Relations to Interactive Decision Tools:**

The Depreciation Tools Calculator does not determine special (bonus) depreciation allowance or Section 179 deduction amounts. Following are the Interactive Decision Tools that deal with depreciation topics:

- Determining Eligibility for Section 179 Expensing and Bonus Depreciation.
- Determining if Realty is 15, 27.5, or 39-year Recovery.
- Maximizing the First Year Cost Recovery Deduction for Business Vehicle.
Benefits:

- The **Federal Depreciation Handbook** helps you make effective decisions and elections relating to depreciation and expensing deductions when an asset is placed in service.
- It helps you efficiently compute tax depreciation of an asset.
- Allows you to understand how to properly report depreciation, including various depreciation elections on federal tax returns.
- You can apply the "tangible property regulations" which specify the allowable tax treatment of costs to acquire, repair or improve tangible property.
- You can also confidently provide general tax planning or transactional consulting advice where depreciation can affect the results: and
- You can have the comfort of knowing you have covered all bases and did not miss anything.
- **Federal Depreciation Handbook** provides relevant and actionable information and guidance, including return preparation guidance and no irrelevant content or tables.
- **Depreciation Calculator** is very intuitive and easy to use - no learning curve.
- You can link directly to the **Depreciation Calculator** from the Handbook.
- You can save results to Checkpoint folders, enabling them to review the results at a future time without having to re-enter data and reconstruct the logic.
- **Depreciation Calculator** users will have User Notes to document why certain elections were made.
- **Depreciation Calculator** will provide popup guidance with links to primary source material.
**Depreciation Calculator:**

To calculate the tax impact of making $500,000 improvement to a leased office space.

The **Federal Depreciation Handbook** and **Depreciation Calculator** assist you to address this scenario.

1. Log in to **Checkpoint**.
2. Under the **Search Practice Area**, select **Federal** and enter a search query "**Leasehold Improvements**" in the Keyword Search Field.
4. Click on **Search**.

![Checkpoint Search Screenshot](image-url)
The Search Results screen is displayed with all the listed documents within **Federal Depreciation Handbook**. Scroll down and select **Leasehold Improvements**. (This is the first Leasehold Improvements section right below the What is Real Property section in your search results.)
The topic "Depreciating Leasehold Improvements" in the document helps you understand Leasehold Improvements.

- Capitalized improvements made during the lease generally must be depreciated over the improvement's recovery period, not over the remaining term of the lease [IRC §168(i)(8)].

- Leasehold improvements that are structural components of the building generally have a 27.5 year or 39-year recovery period.

- Tenant improvements. Generally, improvements made by a tenant/lessee are capitalized and depreciated by the tenant over the improvement's MARCS recovery period [IRC §168(i)(8)].

The handbook suggests that a 15-year period expired for leasehold improvements, placed in service at the end of 2013. Therefore, if this provision is not extended, the recovery period will be for 39 years.
Now that you have an understanding of the law, use the depreciation calculator to compute the depreciation under a 15 year scenario.
Calculating a 15 year Depreciation Schedule:

Accessing Depreciation Calculator from Checkpoint:

You can access this application from the Tools tab on Checkpoint.

1. Log in to Checkpoint (checkpoint.riag.thomsonreuters.com)

2. Navigate to the Tools option in the menu bar.

3. On the Tools screen, click Depreciation Calculator on the left navigation bar. The Depreciation Calculator page is displayed.

4. Click the Depreciation Calculator link. The Depreciation Calculator opens in a new tab.
Alternatively, Access Depreciation Calculator from Table of Contents:

1. Click on **Table of Contents** tab from the menu bar.
2. Click on **Federal Library** within the options listed under **Checkpoint Contents**.
3. Select **Federal Editorial Materials**.
4. Click the **Depreciation Calculator** link under **Federal Editorial Materials**.
5. Select **Overview - Federal Depreciation Calculator**. This displays the **Overview** page.
6. Click on the **Calculator** button on the **Overview** page to open the **Depreciation Calculator** in a new tab.
The Overview page provides you with information about the tool and practical applications within the tool that includes - Purpose Statement, Practical Applications, User Guidelines and User Notes.

After you are done going through the Overview, Click Next at the bottom of the page.
The MARCS Classification page appears.

Under 'Do you know the MARCS classification for the asset to be depreciated?' Select 'NO' by clicking on the radio button next to NO. (For this scenario).

Note:

- Choosing No displays a list of specific types of assets for selection.
- Choosing Yes displays a set of MARCS recovery periods for selection.
- The information pertaining to your Yes and No choices can be found under the More Information link next to the section heading. The More Information links provide you with appropriate information regarding the topic you are working on within the calculator.
Scroll down to the Real Property assets and select **Qualified Leasehold Improvement Property** by clicking on the Radio button next to it.

After making your selection, click **Next** at the bottom of the page.
The **15-year property** page is displayed. On this page questions follow as per your selections.

1. Click on **General Depreciation System (GDS)** under 'Depreciation System available under MARCS for 15-year property'.

2. Select **Required Straight-Line (SL) for Qualified Leasehold Improvements, etc.** under 'Depreciation Method available under the GDS for MARCS 15-year'.

3. Select **Half-year Convention** under 'Depreciation Conventions available for MARCS 15-year Property'.

4. Scroll down to enter the **Cost** of the asset in the space provided against the '$' symbol. (For this scenario enter $500,000).

5. Optionally enter a note in the **User Notes** field under each question if you wish to document the reasoning behind your decision.

6. Click **Next** at the bottom of the page.
The **Interview Complete** pop-up is displayed on the screen with the following options:

- Print or view depreciation schedule for the asset.
- Save the answers to a folder.
- View the answer summary.
To view the Depreciation Schedule click on the Export Document icon under Your Assembled Document beside the Federal Depreciation Calculator.

The Export pop-up is displayed. Here, select PDF (.pdf) format and then click Export.

Another pop-up follows named Export Complete with the message ‘Your export of Federal Depreciation Calculator is complete’.

Click Download to view the Depreciation Schedule listed in the following format:
Click **Open** to view the PDF.

### Checkpoint Depreciation Calculator

**MACRS Depreciation Schedule**

**Qualified Leasehold Improvement Property**

**Specific asset description:**

- **Depreciation system:** GDS
- **Depreciation method:** Straight-Line
- **Convention:** Half-year
- **Depreciation table used:** Rev. Proc. 87-57 Table 8 (TBL-3325, Checkpoint Tables and Rates)
- **Recovery period:** 15 years
- **Depreciable basis:** $500,000.00

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**Totals**

- **100.000%**
- **$500,000.00**