

2022 Depreciation Guide

MACRS recovery periods for assets placed in service 2022	
Description	MACRS
Computer software (see more below)	3
Semi Tractors	3
Molds and dies	3
Racehorses (under 2 years old)	3
Airplanes	5
Automobiles and general truck	5
Computers, copier and peripheral equipment	5
Appliances, carpet, etc. in rental property	5
Semi Trailers	5
High-tech medical equipment	5
Agricultural machinery and equip. (if new)	5
Breeding cattle	5
Most machinery and equipment	7
Agricultural fence	7
Office furniture and equipment	7
Agricultural machinery and equip. (if used)	7
Single-purpose ag building	10
Land improvements (side walks/landscaping)	15
Billboards	15
Qualified Improvement Property (see below)	15
Ag building, other than single purpose	20
Residential rental property (real property)	27.5
Nonresidential real property	39

Passenger Auto and Truck Depreciation Limitations (also known as 280F limitation)	
Autos, Vans and Trucks up to 6,000lbs	2022
Depreciation limit without bonus depreciation	\$ 11,200
Limits with bonus depreciation:	
First Year	\$ 19,200
Second Year	\$ 18,000
Third Year	\$ 10,800
Fourth Year & Thereafter	\$ 6,460
Truck, Van or SUV over 6,000 but not over 14,000lbs	2022
Depreciation limit	N/A
Maximum Section 179	\$ 26,200

Special use vehicles: no depreciation limit
- Auto designed for 9 or more individuals seating rearward of driver (shuttle, extended vans)
- Equipped 6 foot or larger open cargo area, or a covered box not readily accessible to passengers
- Examples: moving van, utility repair truck, school buses, delivery truck

Standard Mileage Rates	2022*	2021
Business	58.5/62.5 cents	56 cents
Charitable	14 cents	14 cents
Medical and Moving	18/22 cents	16 cents

* Higher rate effective as of July 1, 2022

Qualified Improvement Property (QIP)
The improvement must be to the interior of the building, and is nonresidential real property
Must be an improvement to a building already in service - these costs in new buildings are not eligible
CARES Act corrected the life on QIP to be 15 year instead of 39 year; amendment allowed to adjust to 2018, 2018 and 2020 returns
Examples include HVAC, roofs, fire protection, alarm and security systems, interior lighting, carpet and flooring, interior doors, electrical, mechanical and plumbing improvements
Does NOT include improvements attributable to internal structural framework, enlargements to the building, elevators

Computer Software
If the computer software is available for general public to purchase, it should be amortized over 3 years under Section 167, and 100% bonus and Section 179 are available
If the software is unique and was acquired through a purchase of a business, it should be amortized under Section 197 as goodwill and other intangibles; no bonus depreciation or Section 179 is available

Land Improvements
Examples are sidewalks, parking lots, fences, landscaping, and outside signs (billboards)
15 year life, can take bonus (no Section 179 allowed)

Like-Kind Exchange - Difference between Federal and Indiana treatment
Federal like-kind exchange of personal property no longer allowed; however, this IS allowed for Indiana
For any Indiana companies that exchange personal property, Like-Kind Exchange is required and beneficial for tax purposes
Real estate like kind exchange is still available for Federal - strict rules surround this; attorney will need to be involved

Section 179 Depreciation	2022	2021
Maximum deduction	\$ 1,080,000	\$ 1,050,000
Qualified property threshold before phase-out	\$ 2,700,000	\$ 2,620,000

Bonus Depreciation	2022	2023	2024	2025
20 year life or less	100% *	80% *	60% *	40% *

* Can be new or used

Comparing §179 and Bonus Depreciation		
	§179	100% Bonus (9/28/17- 12/31/22)
Can Create an NOL	No	Yes
AMT Adjustment	None	None
New or used property	Both new and used	Both new and used
Limited to taxable income	Yes	No
Eligible property	Personal property and Qualified Improvement Property	Lives 20 years or less
Types of activities	Active trade or business only	All activities (including rentals)
Election can be modified	Yes, on amended return	No, binding w/o IRS permission
Deduction amount limited	\$1,080,000	None
Purchase amount limited	Yes, phase-out starts @ \$2,700,000	No, unlimited purchases
Depreciation Recapture upon Sale	Yes	No

State Conformity with Bonus Depreciation and Section 179			
	Bonus Depr.	Section 179	Notes
Indiana	No	No	179 deduction limited to \$25,000 (threshold \$2,070,000)
Michigan	No	Yes	For personal return, bonus depreciation is allowed
California	No	No	179 deduction limited to \$25,000 (threshold \$200,000)
Illinois	Yes	Yes	Special bonus addback calculation (allows 100% bonus)
Ohio	No	Yes	Special bonus addback calculation
Oregon	Yes	Yes	