

Table 1

Comparison of Depreciation Methods Under Present Law--Equipment
(Asset cost--\$100; useful life--10 years; zero salvage value)

[Annual allowances]

<u>Year</u>	<u>Straight line</u>	<u>200% DB</u>	<u>SYD</u>	<u>200% DB/SL^{1/}</u>	<u>200% DB/SYD^{2/}</u>
1	10	20	18	20	20
2	10	16	16	16	16
3	10	13	15	13	14
4	10	10	13	10	12
5	10	8	11	8	11
6	10	7	9	7	9
7	10	5	7	6.5	7
8	10	4	5	6.5	5
9	10	3	4	6.5	4
10	<u>10</u>	<u>3</u>	<u>2</u>	<u>6.5</u>	<u>2</u>
Total	100	89	100	100	100

Note: Assumes no half-year convention for present law methods.

1/ Switch to straight line after year 6.

2/ Switch to sum-of-the-years-digits after year 2.

Table 2

Comparison of Depreciation Methods under Administration Proposal--
 Equipment
 (Asset cost--\$100; useful life--10 years; zero salvage value)

[Annual allowances]

<u>Year</u>	<u>Present law</u> ^{1/}	<u>H.R. 3849.</u> <u>1981-84</u>	<u>H.R. 3849</u> <u>After 1985</u>
1	10	15	20
2	18	22	32
3	15	21	21
4	13	21	16
5	12	21	8
6	10	0	0
7	8	0	0
8	6	0	0
9	4	0	0
10	3	0	0
11	<u>1</u>	<u>0</u>	<u>0</u>
Total	100	100	100

^{1/} 200% declining balance, switching to sum-of-the-years-digits after year 2. Assumes half-year convention.

Joint Committee on Taxation
 June 16, 1981



Table 3

Comparison of Depreciation Methods--Structures

[Asset cost--\$100; useful life--33 years; zero salvage value; sold after 10 years for \$100]

<u>Year</u>	<u>S/L</u>	<u>200%</u> <u>DB</u>	<u>150%</u> <u>DB</u>	<u>H.R. 3849--</u> <u>Accelerated</u>	<u>H.R. 3849</u> <u>S-L</u>
1.	3	6	4-1/2	7	7
2	3	6	4	12	7
3	3	5	4	11	7
4	3	5	4	9	7
5	3	5	4	8	7
6	3	4	4	7	7
7	3	4	3	6	7
8	3	4	3	5	7
9	3	3	3	5	7
10	3	3	3	5	7
Gain on sale	30	45	37	75	70
Capital gain	30	30	30	0	70
Ordinary income	0	15	7	75	0

Note: Assumes no half-year convention.

Table 4

A. —Guideline Lives for Certain Buildings Under Revenue Procedure 62-21

Type of Building	Useful life (years)
Apartments	40
Banks	50
Dwellings	45
Factories	45
Garages	45
Grain Elevators.....	60
Hotels	40
Loft Buildings.....	50
Machine Shops.....	45
Office Buildings.....	45
Stores	50
Theaters	40
Warehouses	60

As indicated in Table 3, however, taxpayers generally have claimed useful lives that are shorter than those listed in Rev. Proc. 62-21.

B. —Comparison of Guideline Lives and Lives Claimed for Certain Building Types

[In years]

Building type	Guideline lives under Revenue Procedure 62-21	Average lives claimed by taxpayers (new buildings only)	Percentage of taxpayers claiming lives shorter than guideline lives
Retail (including shopping centers).....	50	36	93
Warehouses.....	60	37	99
Factories.....	45	37	77
Office buildings.....	45	41	91
Banks.....	50	43	79
Apartments.....	40	32	78

Source: Office of Industrial Economics, Department of the Treasury, *Business Building Statistics* (GPO, Washington, 1975).