Income Tax

2023-2024

Accounting for Your Income

Tax Guide for Small Business

(For Individuals Who Use Schedule C)

Publication 334

Catalog Number 11063P

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income					
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	b	Household employee wages not reported on Form(s) W-2		1b	
	c	Tip income not reported on line 1a (see instructions)		1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
	e	Taxable dependent care benefits from Form 2441, line 26		1e	
	f	Employer-provided adoption benefits from Form 8839, line 29		1f	
	g	Wages from Form 8919, line 6		1g	
	h	Other earned income (see instructions)		1h	
	i	Nontaxable combat pay election (see instructions)	1i		
	z	Add lines 1a through 1h		1z	
Attach Sch. B if required.	2a	Tax-exempt interest	2a	b Taxable interest	2b
	3a	Qualified dividends	3a	b Ordinary dividends	3b
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	5a	Pensions and annuities	5a	b Taxable amount	5b
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	c	If you elect to use the lump-sum election method, check here (see instructions) ☐			
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐		7	
	8	Additional income from Schedule 1, line 10		8	
	9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**		9	
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	11	Subtract line 10 from line 9. This is your **adjusted gross income**		11	
	12	**Standard deduction or itemized deductions** (from Schedule A)		12	
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SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	**1**	
2a	Alimony received	**2a**	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	**3**	
4	Other gains or (losses). Attach Form 4797	**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .	**5**	
6	Farm income or (loss). Attach Schedule F	**6**	
7	Unemployment compensation	**7**	
8	Other income:		
a	Net operating loss . . . . **8a** ( )		
b	Gambling **8b**		
c	Cancellation of debt **8c**		
d	Foreign earned income exclusion from Form 2555 . . . . **8d** ( )		
e	Income from Form 8853 . . . . **8e**		
f	Income from Form 8889 . . . . **8f**		
g	Alaska Permanent Fund dividends **8g**		
h	Jury duty pay **8h**		

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

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OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor | **Social security number (SSN)**

A Principal business or profession, including product or service (see instructions) | **B Enter code from instructions**

C Business name. If no separate business name, leave blank. | **D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Accounting for Your Income

Accounting for your income for income tax purposes differs at times from accounting for financial purposes. This section discusses some of the more common differences that may affect business transactions.

Figure your business income on the basis of a tax year and according to your regular method of accounting (see chapter 2).

If the sale of a product is an income-producing factor in your business, you usually have to use inventories to clearly show your income. Dealers in real estate are not allowed to use inventories. For more information on inventories, see chapter 2.

Income paid to a third party.

- All income you earn is taxable to you. You cannot avoid tax by having the income paid to a third party.

Example.

- You rent out your property and the rental agreement directs the lessee to pay the rent to your son.
- The amount paid to your son is gross income to you.

Cash discounts. These are amounts the seller permits you to deduct from the invoice price for prompt payment. For income tax purposes, you can use either of the following two methods to account for cash discounts.

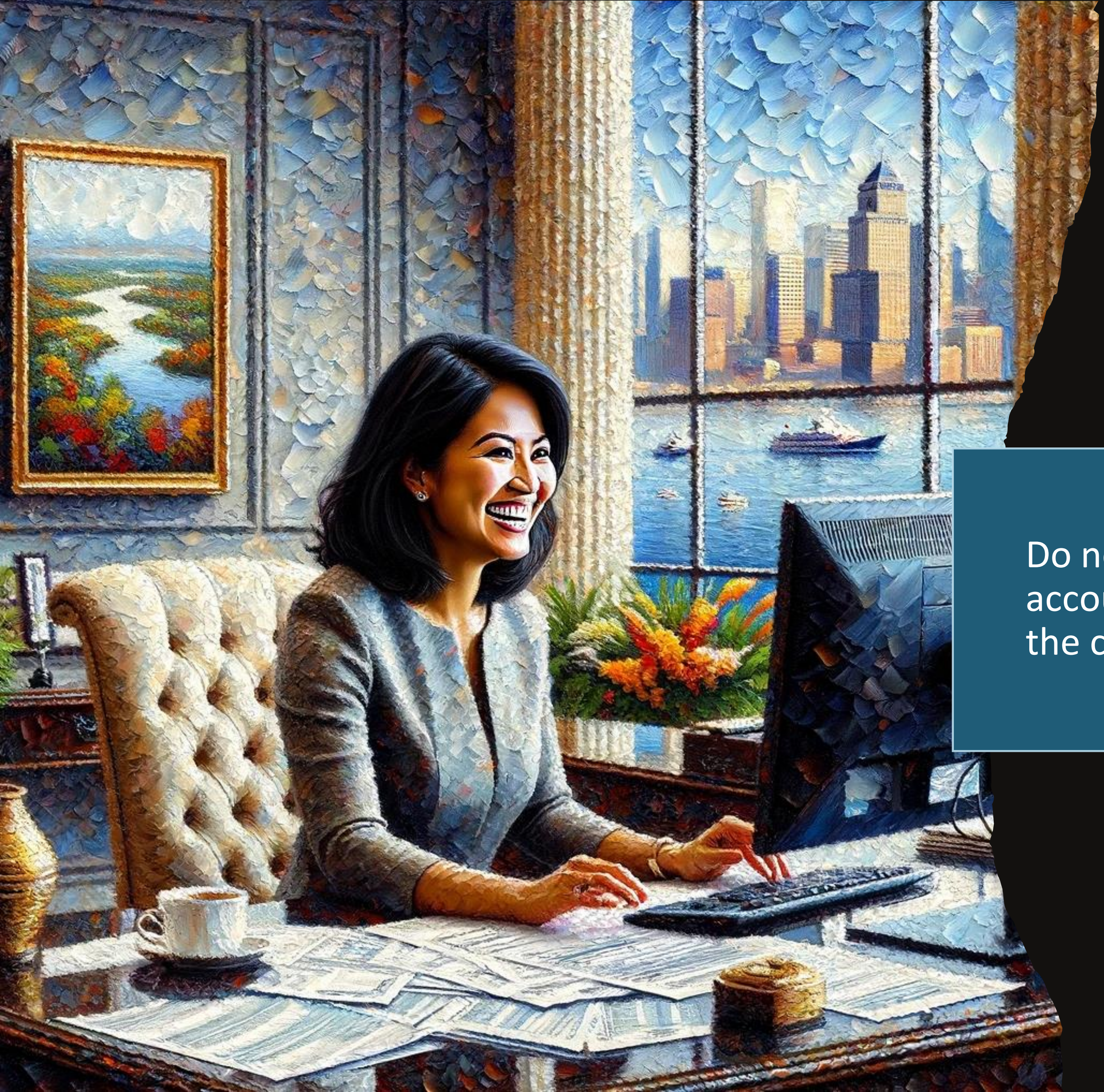
Deduct the cash discount from purchases (see *Line 36—Purchases Less Cost of Items Withdrawn for Personal Use* in chapter 6).

Credit the cash discount to a discount income ac-count.

You must use the chosen method every year for all your purchase discounts.

If you use the second method, the credit balance in the account at the end of your tax year is business income. Under this method, you do not reduce the cost of goods sold by the cash discounts you received.

When valuing your closing inventory, you cannot reduce the invoice price of merchandise on hand at the close of the tax year by the average or estimated discounts received on the merchandise.



Trade discounts.

These are reductions from list or catalog prices and are usually not written into the invoice or charged to the customer.

Do not enter these discounts on your books of account. Instead, use only the net amount as the cost of the merchandise purchased.

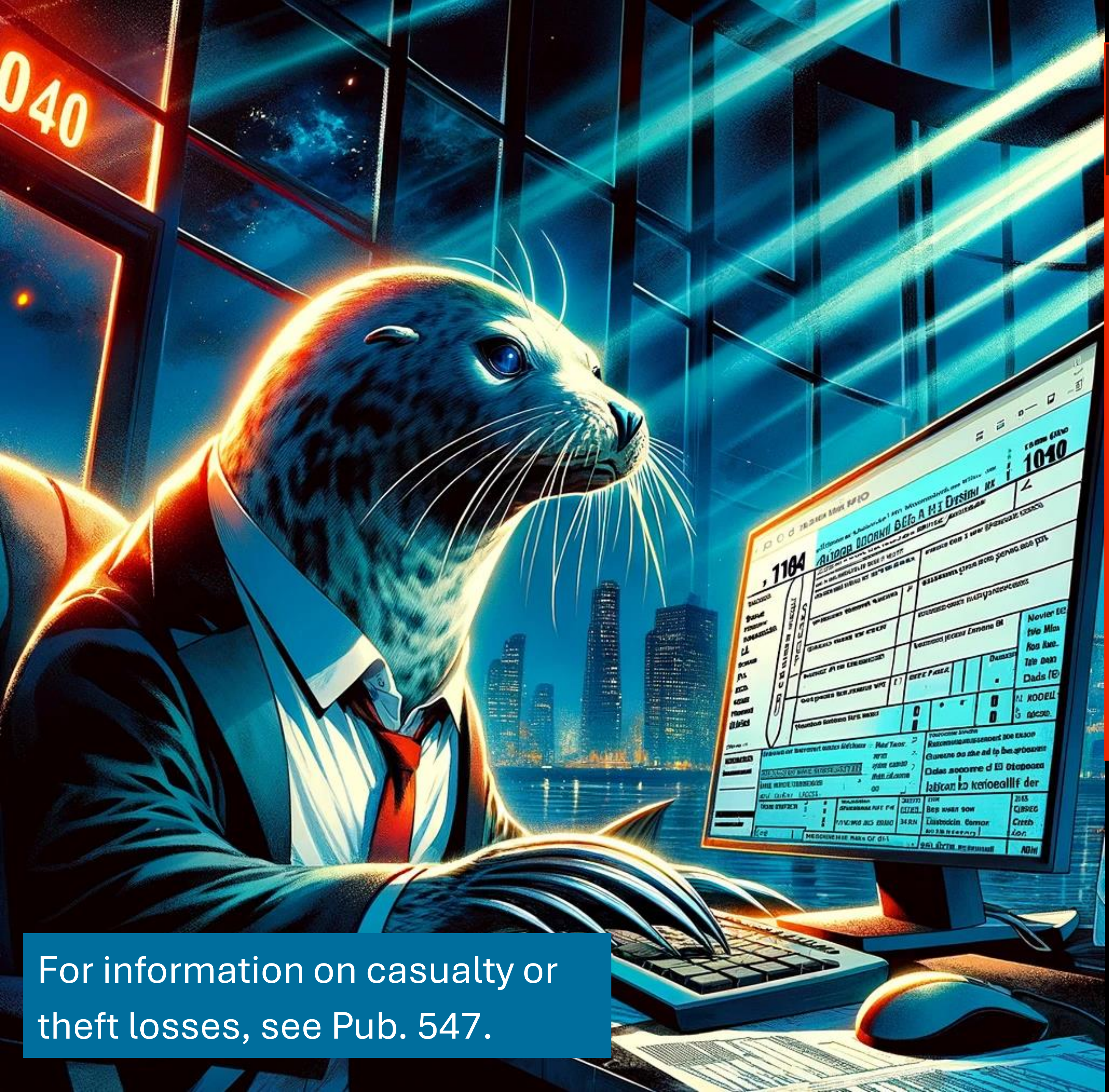
For more information, see *Trade discounts* in chapter 6.

Payment placed in escrow.

- If the buyer of your property places part or all of the purchase price in escrow, you do not include any part of it in gross sales until you actually or constructively receive it.
- However, upon completion of the terms of the contract and the escrow agreement, you will have taxable income, even if you do not accept the money until the next year.

Sales returns and allowances.

- Credits you allow customers for returned merchandise and any other allowances you make on sales are deductions from gross sales in figuring net sales.



For information on casualty or theft losses, see Pub. 547.

Advance payments.

- Special rules dealing with an accrual method of accounting for payments received in advance are discussed in chapter 2 under *Accrual Method*.

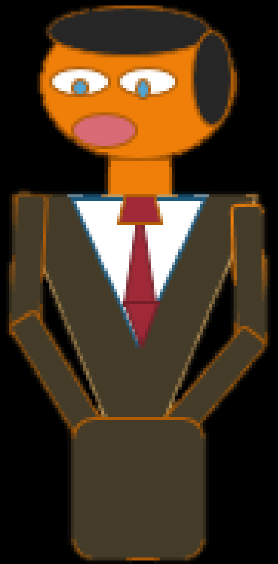
Insurance proceeds.

- If you receive insurance or another type of reimbursement for a casualty or theft loss, you must subtract it from the loss when you figure your deduction.
- You cannot deduct the reimbursed part of a casualty or theft loss.

Income Tax

2023-2024

How To Figure Cost of Goods Sold



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- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
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E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

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How To Figure Cost of Goods Sold - Introduction

If you make or buy goods to sell, you can deduct the cost of goods sold from your gross receipts on Schedule C. However, to determine these costs, you must value your inventory at the beginning and end of each tax year.

This chapter applies to you if you are a manufacturer, wholesaler, or retailer or if you are engaged in any business that makes, buys, or sells goods to produce income.

This chapter does not apply to a personal service business, such as the business of a doctor, lawyer, carpenter, or painter. However, if you work in a personal service business and also sell or charge for the materials and supplies normally used in your business, this chapter applies to you.

Caution - *There are exceptions for small business taxpayers that may change how you figure cost of goods sold for your business. For more information, see chapter 2.*

Figuring Cost of Goods Sold on Schedule C, Lines 35Through 42

Figure your cost of goods sold by filling out lines 35 through 42 of Schedule C. These lines are reproduced below and are explained in the discussion that follows.

35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	
36	Purchases less cost of items withdrawn for personal use	
37	Cost of labor. Do not include any amounts paid to yourself	
38	Materials and supplies	
39	Other costs	
40	Add lines 35 through 39	
41	Inventory at end of year	
42	**Cost of goods sold.** Subtract line 41 from line 40. Enter the result here and on line 4	

Line 35—Inventory at Beginning of Year

If you are a merchant, beginning inventory is the cost of merchandise on hand at the beginning of the year that you will sell to customers.

If you are a manufacturer or producer, it includes the total cost of raw materials, work in process, finished goods, and materials and supplies used in manufacturing the goods (see *Inventories* in chapter 2).

Opening inventory will usually be identical to the closing inventory of the year before. You must explain any difference in a schedule attached to your return.

Donation of inventory.

If you contribute inventory (property that you sell in the course of your business), the amount you can claim as a contribution deduction is the smaller of its fair market value on the day you contributed it or its basis.

The basis of donated inventory is any cost incurred for the inventory in an earlier year that you would otherwise include in your opening inventory for the year of the contribution. You must remove the amount of your contribution deduction from your opening inventory. It is not part of the cost of goods sold.

If the cost of donated inventory is not included in your opening inventory, the inventory's basis is zero and you cannot claim a charitable contribution deduction. Treat the inventory's cost as you would ordinarily treat it under your method of accounting.

For example, include the purchase price of inventory bought and donated in the same year in the cost of goods sold for that year.

A special rule may apply to certain donations of food inventory. See Pub. 526, Charitable Contributions.

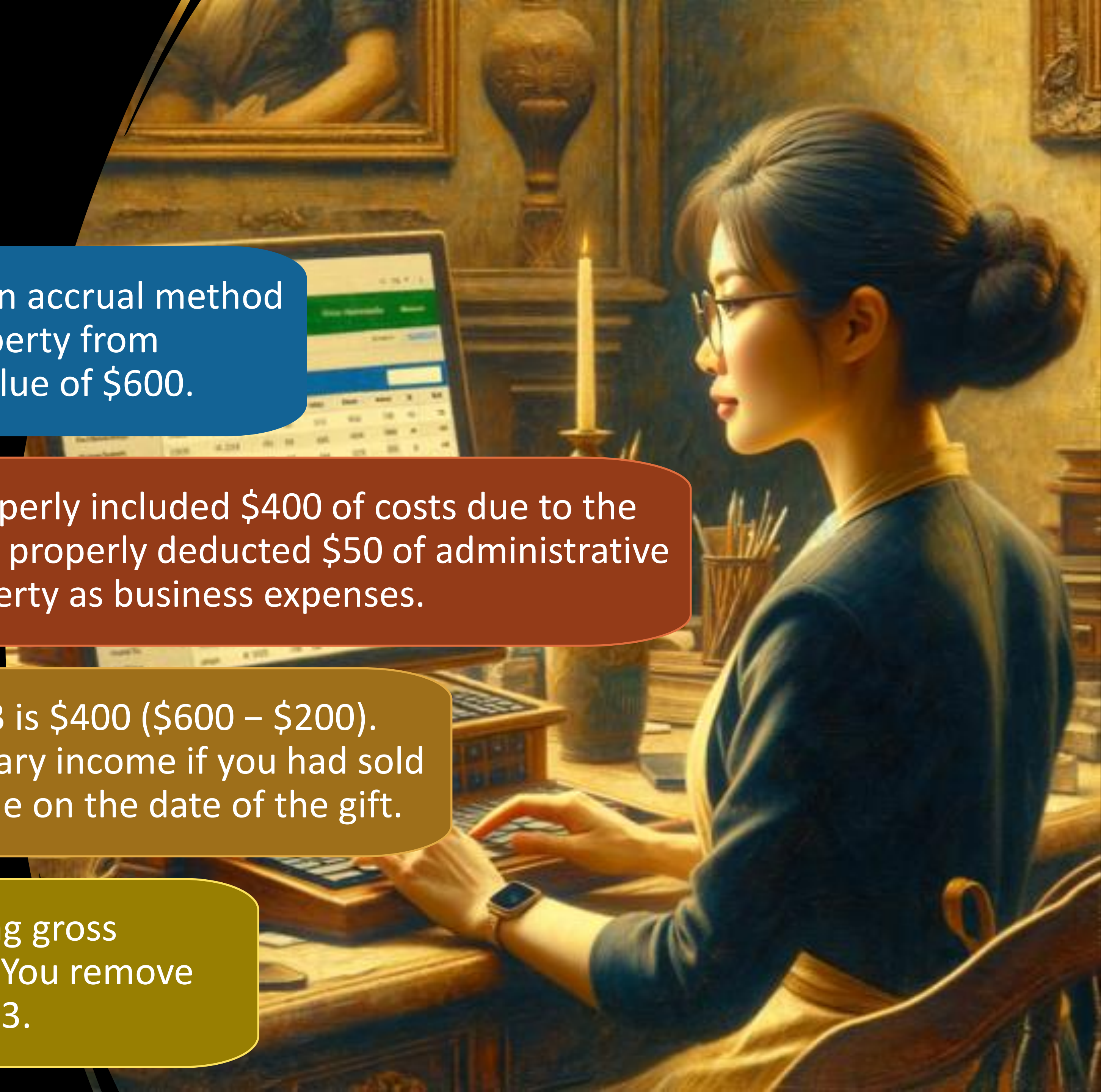
Example 1.

You are a calendar year taxpayer who uses an accrual method of accounting. In 2023, you contributed property from inventory to a church. It had a fair market value of $600.

The closing inventory at the end of 2022 properly included $400 of costs due to the acquisition of the property, and in 2022, you properly deducted $50 of administrative and other expenses attributable to the property as business expenses.

The charitable contribution allowed for 2023 is $400 ($600 – $200). The $200 is the amount that would be ordinary income if you had sold the contributed inventory at fair market value on the date of the gift.

The cost of goods sold you use in determining gross income for 2023 must not include the $400. You remove that amount from opening inventory for 2023.



Example 2.

- If, in *Example 1*, you acquired the contributed property in 2023 at a cost of $400, you would include the $400 cost of the property in figuring the cost of goods sold for 2023 and deduct the $50 of administrative and other expenses attributable to the property for that year.
- You would not be allowed any charitable contribution de-duction for the contributed property.

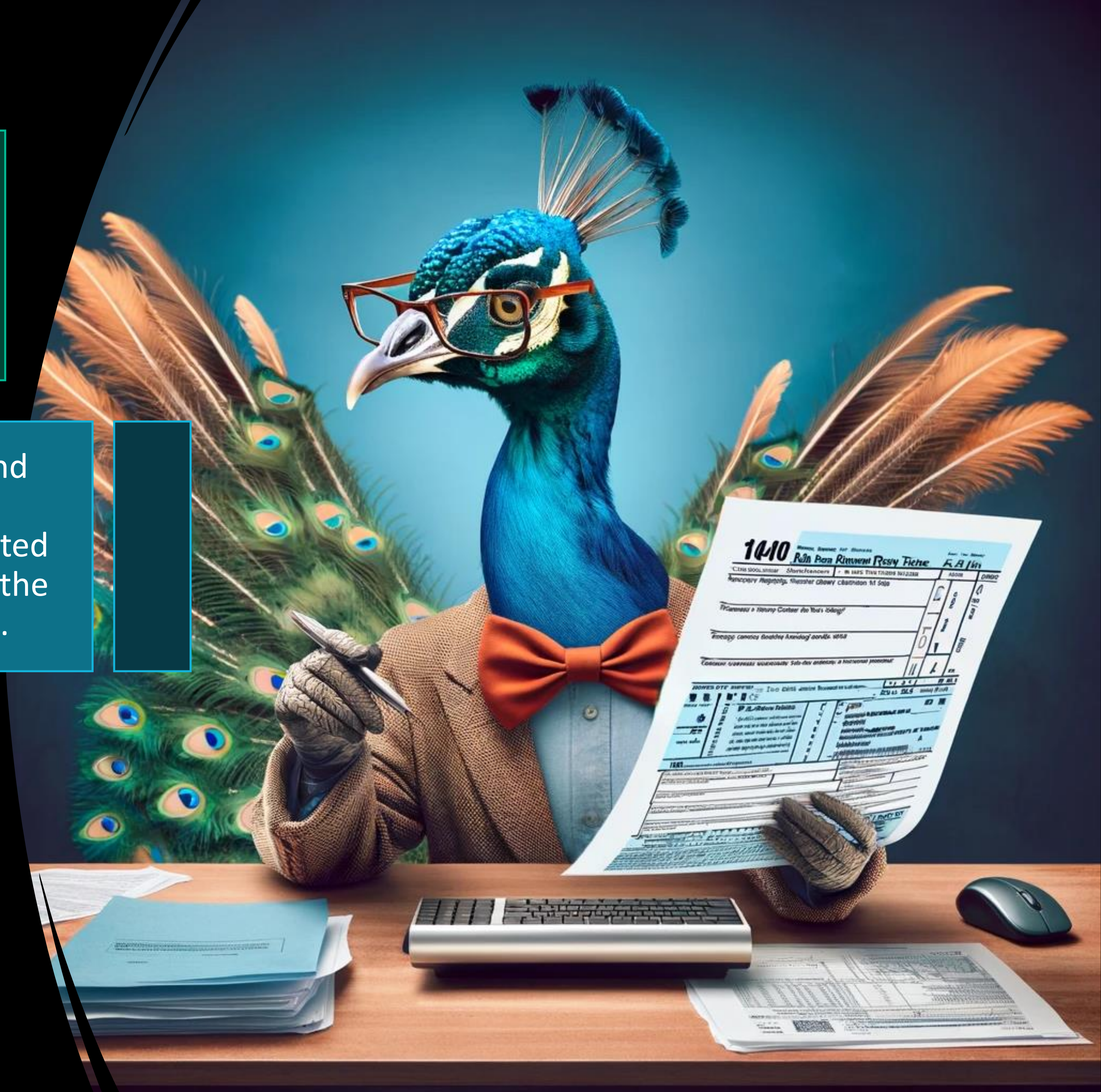
Line 36—Purchases Less Cost of Items Withdrawn for Personal Use

- If you are a merchant, use the cost of all merchandise you bought for sale. If you are a manufacturer or producer, this includes the cost of all raw materials or parts purchased for manufacture into a finished product.

Trade discounts.

The differences between the stated prices of articles and the actual prices you pay for them are called trade discounts. You must use the prices you pay (not the stated prices) in figuring your cost of purchases. Do not show the discount amount separately as an item in gross income.

An automobile dealer must record the cost of a car in inventory reduced by any manufacturer's rebate that represents a trade discount.



Cash discounts.

Cash discounts are amounts your suppliers let you deduct from your purchase invoices for prompt payments. There are two methods of accounting for cash discounts. You can either credit them to a separate discount account or deduct them from total purchases for the year.

Whichever method you use, you must be consistent. If you want to change your method of figuring inventory cost, you must file Form 3115. For more information, see *Change in Accounting Method* in chapter 2.

If you credit cash discounts to a separate account, you must include this credit balance in your business income at the end of the tax year. If you use this method, do not reduce your cost of goods sold by the cash discounts.

Purchase returns and allowances.

- You must deduct all returns and allowances from your total purchases during the year.

Merchandise withdrawn from sale.

If you withdraw merchandise for your personal or family use, you must exclude this cost from the total amount of merchandise you bought for sale.

Do this by crediting the purchases or sales account with the cost of merchandise you withdraw for personal use.

You must also charge the amount to your drawing account.

A drawing account is a separate account you should keep to record the business income you withdraw to pay for personal and family expenses.

As stated above, you also use it to record withdrawals of merchandise for personal or family use.

This account is also known as a withdrawals account or personal account.

Line 37—Cost of Labor

Labor costs are usually an element of cost of goods sold only in a manufacturing or mining business. Small merchandisers (wholesalers, retailers, etc.) usually do not have labor costs that can properly be charged to cost of goods sold.

In a manufacturing business, labor costs properly allocable to the cost of goods sold include both the direct and indirect labor used in fabricating the raw material into a finished, saleable product.

Direct labor.

Direct labor costs are the wages you pay to those employees who spend all their time working directly on the product being manufactured.

They also include a part of the wages you pay to employees who work directly on the product part time if you can determine that part of their wages.

Indirect labor.

Indirect labor costs are the wages you pay to employees who perform a general factory function that does not have any immediate or direct connection with making the saleable product, but that is a necessary part of the manufacturing process.

Other labor.

Other labor costs not properly chargeable to the cost of goods sold can be deducted as selling or ad-ministrative expenses.

Generally, the only kinds of labor costs properly chargeable to your cost of goods sold are the direct or indirect labor costs and certain other costs treated as overhead expenses properly charged to the manufacturing process, as discussed later under *Line 39—Other Costs*.

Line 38—Materials and Supplies

Materials and supplies, such as hardware and chemicals, used in manufacturing goods are charged to cost of goods sold.

Those that are not used in the manufacturing process are treated as deferred charges. You deduct them as a business expense when you use them. Business expenses are discussed in chapter 8.

Line 39—Other Costs

- Examples of other costs incurred in a manufacturing or mining process that you charge to your cost of goods sold are as follows.

Containers.

- Containers and packages that are an integral part of the product manufactured are a part of your cost of goods sold.
- If they are not an integral part of the manufactured product, their costs are shipping or selling expenses.

Freight-in.

- Freight-in, express-in, and cartage-in on raw materials, supplies you use in production, and merchandise you purchase for sale are all part of cost of goods sold.

Overhead expenses.

Overhead expenses include expenses such as rent, heat, light, power, insurance, depreciation, taxes, maintenance, labor, and supervision.

The overhead expenses you have as direct and necessary expenses of the manufacturing operation are included in your cost of goods sold.

Line 40—Add Lines 35 Through 39

- The total of lines 35 through 39 equals the cost of the goods available for sale during the year.

Line 41—Inventory at End of Year

- Subtract the value of your closing inventory (including, as appropriate, the allocable parts of the cost of raw materials and supplies, direct labor, and overhead expenses) from line 40.
- Inventory at the end of the year is also known as closing or ending inventory.
- Your ending inventory will usually become the beginning inventory of your next tax year.

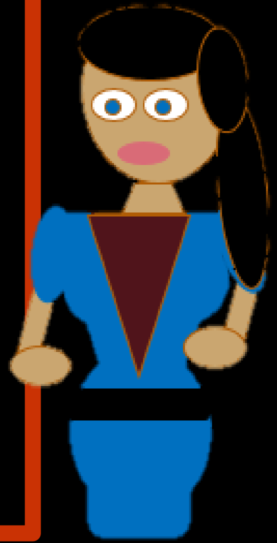
- When you subtract your closing inventory (inventory at the end of the year) from the cost of goods available for sale, the remainder is your cost of goods sold during the tax year.

Line 42—Cost of Goods Sold

Income Tax

2023-2024

Figuring Gross Profit



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SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	**1**	
2a	Alimony received	**2a**	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	**3**	
4	Other gains or (losses). Attach Form 4797	**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .	**5**	
6	Farm income or (loss). Attach Schedule F	**6**	
7	Unemployment compensation	**7**	
8	Other income:		
a	Net operating loss . . . . **8a** ( )		
b	Gambling **8b**		
c	Cancellation of debt **8c**		
d	Foreign earned income exclusion from Form 2555 . . . . **8d** ( )		
e	Income from Form 8853 . . . . **8e**		
f	Income from Form 8889 . . . . **8f**		
g	Alaska Permanent Fund dividends **8g**		
h	Jury duty pay **8h**		

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**
A Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Figuring Gross Profit Introduction

After you have figured the gross receipts from your business (chapter 5) and the cost of goods sold (chapter 6), you are ready to figure your gross profit.

You must determine gross profit before you can deduct any business expenses. These expenses are discussed in chapter 8.

Businesses that sell products.

Figure your gross profit by first figuring your net receipts. Figure net receipts (line 3) on Schedule C by subtracting any returns and allowances (line 2) from gross receipts (line 1). Returns and allowances include cash or credit refunds you make to customers, rebates, and other allowances off the actual sales price.

Next, subtract the cost of goods sold (line 4) from net receipts (line 3). The result is the gross profit from your business.

Businesses that sell services.

You do not have to figure the cost of goods sold if the sale of merchandise is not an income-producing factor for your business.

Your gross profit is the same as your net receipts (gross receipts minus any refunds, rebates, or other allowances).

Most professions and businesses that sell services rather than products can figure gross profit directly from net receipts in this way.

Illustration.

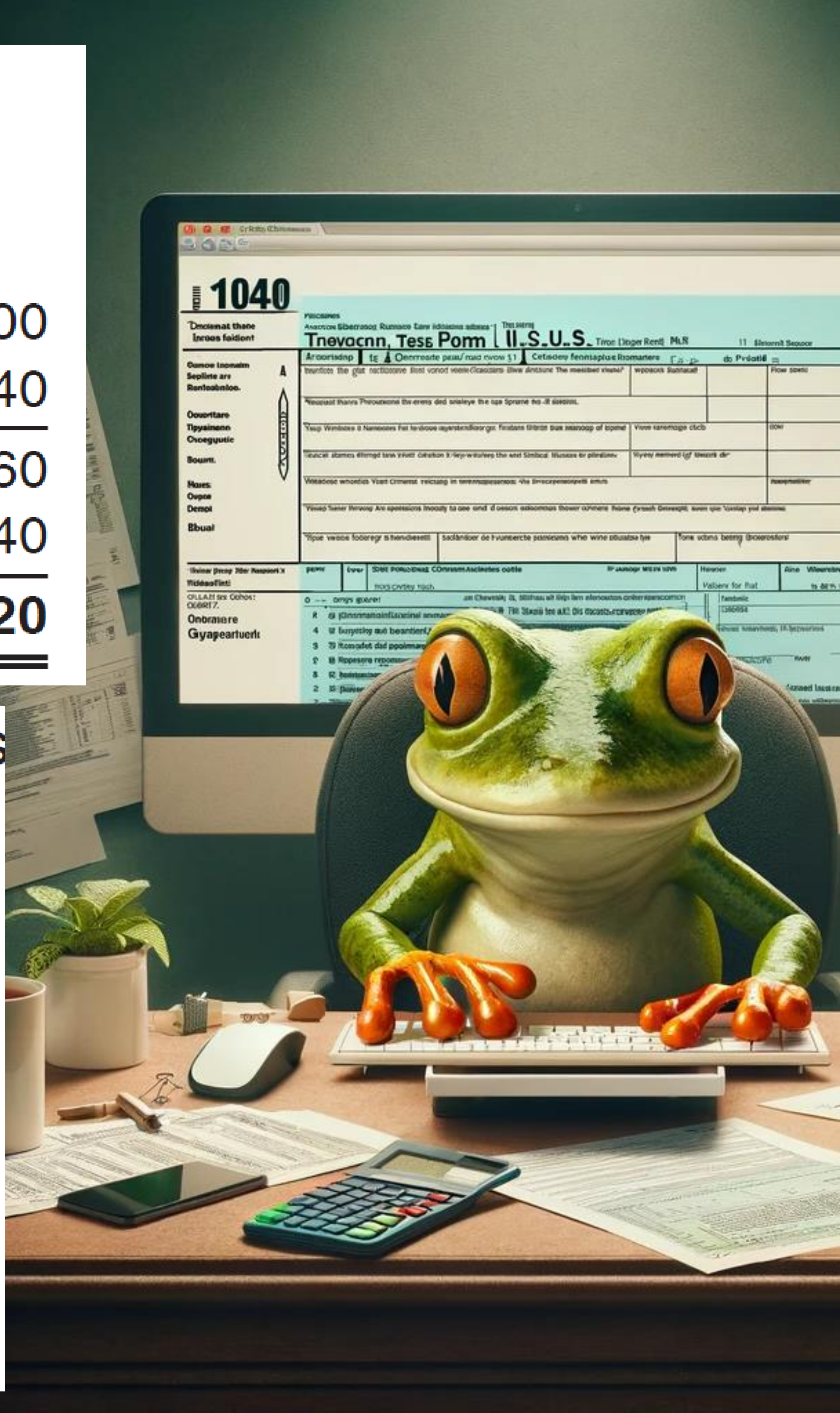
This illustration of the gross profit section of the income statement of a retail business shows how gross profit is figured.

Income Statement Year Ended December 31, 2023

Gross receipts	$400,000
Minus: Returns and allowances	14,940
Net receipts	$385,060
Minus: Cost of goods sold	288,140
Gross profit	**$96,920**

The cost of goods sold for this business is figured as follows.

Inventory at beginning of year		$37,845
Plus: Purchases	$285,900	
Minus: Items withdrawn for personal use	2,650	283,250
Goods available for sale		$321,095
Minus: Inventory at end of year		32,955
Cost of goods sold		**$288,140**



Items To Check - Consider the following items before figuring your gross profit.

Gross receipts.

At the end of each business day, make sure your records balance with your actual cash and credit receipts for the day.

You may find it helpful to use cash registers to keep track of receipts.

You should also use a proper invoicing system and keep a separate bank ac-count for your business.

Sales tax collected.

Check to make sure your records show the correct sales tax collected.

If you collect state and local sales taxes imposed on you as the seller of goods or services from the buyer, you must include the amount collected in gross receipts.

If you are required to collect state and local taxes imposed on the buyer and turn them over to state or local governments, you generally do not include these amounts in income.

Inventory at beginning of year.

- Compare this figure with last year's ending inventory. The two amounts should usually be the same.

Purchases.

- If you take any inventory items for your personal use (use them yourself, provide them to your family, or give them as personal gifts, etc.), be sure to remove them from the cost of goods sold.
- For details on how to adjust cost of goods sold, see *Merchandise withdrawn from sale* in chapter 6.

Inventory at end of year.

Check to make sure your procedures for taking inventory are adequate. These procedures should ensure all items have been included in inventory and proper pricing techniques have been used.

Use inventory forms and adding machine tapes as the only evidence for your inventory. Inventory forms are available at office supply stores. These forms have columns for recording the description, quantity, unit price, and value of each inventory item.

Each page has space to record who made the physical count, who priced the items, who made the extensions, and who proofread the calculations. These forms will help you confirm that the total inventory is accurate. They will also provide you with a permanent record to support its validity.

Testing Gross Profit Accuracy

If you are in a retail or wholesale business, you can check the accuracy of your gross profit figure.

First, divide gross profit by net receipts.

The resulting percentage measures the average spread between the merchandise cost of goods sold and the selling price.

Next, compare this percentage to your markup policy.

Little or no difference between these two percentages shows that your gross profit figure is accurate.

A large difference between these percentages may show that you did not accurately figure sales, purchases, inventory, or other items of cost.

You should determine the reason for the difference.

Example.

You operate a retail business. On the aver-age, you mark up your merchandise so that you will realize a gross profit of 331/3% on its sales. The net receipts (gross receipts minus returns and allowances) shown on your income statement are $300,000.

Your cost of goods sold is $200,000. This results in a gross profit of $100,000 ($300,000 – $200,000). To test the accuracy of this year's results, you divide gross profit ($100,000) by net receipts ($300,000). The resulting 331/3% confirms your markup percentage of 331/3%.

Additions to Gross Profit

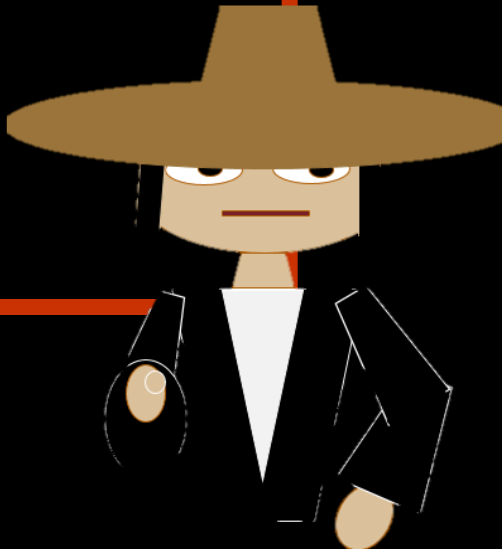
If your business has income from a source other than its regular business operations, enter the income on line 6 of Schedule C and add it to gross profit. The result is gross business income.

Some examples include income from an interest-bearing checking account, income from scrap sales, income from certain fuel tax credits and refunds, and amounts recovered from bad debts.

Income Tax

2023-2024

Business Expenses Introduction



Tax Guide for Small Business

(For Individuals Who Use Schedule C)

Publication 334

Catalog Number 11063P

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
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	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)				1a	
b	Household employee wages not reported on Form(s) W-2				1b	
c	Tip income not reported on line 1a (see instructions)				1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)				1d	
e	Taxable dependent care benefits from Form 2441, line 26				1e	
f	Employer-provided adoption benefits from Form 8839, line 29				1f	
g	Wages from Form 8919, line 6				1g	
h	Other earned income (see instructions)				1h	
i	Nontaxable combat pay election (see instructions)	1i				
z	Add lines 1a through 1h				1z	
2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRA distributions	4a		b Taxable amount	4b	
5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐					
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐				7	
8	Additional income from Schedule 1, line 10				8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**				9	
10	Adjustments to income from Schedule 1, line 26				10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**				11	
12	**Standard deduction or itemized deductions** (from Schedule A)				12	
13	Qualified business income deduction from Form 8995 or Form 8995-A				13	
14	Add lines 12 and 13				14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**				15	

SCHEDULE 1 (Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

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OMB No. 1545-0074

2023

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Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			**1**	
2a	Alimony received			**2a**	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			**3**	
4	Other gains or (losses). Attach Form 4797			**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .			**5**	
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7	Unemployment compensation			**7**	
8	Other income:				
a	Net operating loss	**8a**	( )		
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c	Cancellation of debt	**8c**			
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SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

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OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**
A Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Business Expenses Introduction

You can deduct the costs of operating your business. These costs are known as business expenses. These are costs you do not have to capitalize or include in the cost of goods sold but can deduct in the current year.

To be deductible, a business expense must be both ordinary and necessary. An ordinary expense is one that is common and accepted in your field of business. A necessary expense is one that is helpful and appropriate for your business. An expense does not have to be indispensable to be considered necessary.

For more information about the general rules for de-ducting business expenses, see section 162 and its regulations.

Caution - *If you have an expense that is partly for business and partly personal, separate the personal part from the business part. The personal part is not deductible.*

Useful Items

Publication

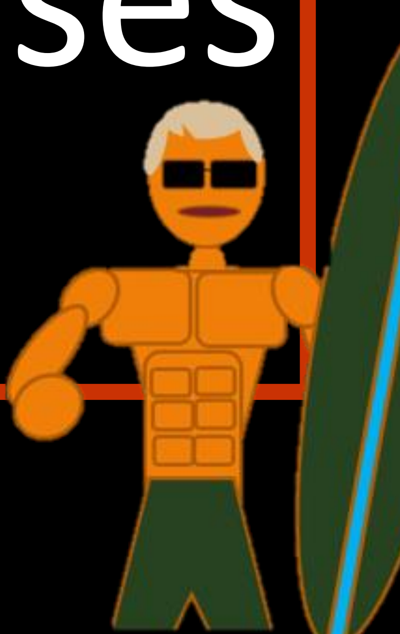
463 Travel, Gift, and Car Expenses

946 How To Depreciate Property

Income Tax

2023-2024

Business Expenses
Bad Debts



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(For Individuals Who Use Schedule C)

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Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

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Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

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h	Other earned income (see instructions)				1h	
i	Nontaxable combat pay election (see instructions)	1i				
z	Add lines 1a through 1h				1z	
2a	Tax-exempt interest	2a		b Taxable interest	2b	
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5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐					
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐				7	
8	Additional income from Schedule 1, line 10				8	
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11	Subtract line 10 from line 9. This is your **adjusted gross income**				11	
12	**Standard deduction or itemized deductions** (from Schedule A)				12	
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14	Add lines 12 and 13				14	
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SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

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2023

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5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
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a	Net operating loss	8a	( )
b	Gambling	8b	
c	Cancellation of debt	8c	
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SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

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E	Business address (including suite or room no.)	
	City, town or post office, state, and ZIP code	

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Bad Debts

If someone owes you money you cannot collect, you have a bad debt.

There are two kinds of bad debts—business bad debts and nonbusiness bad debts.

A business bad debt is generally one that comes from operating your trade or business.

You may be able to deduct business bad debts as an expense on your business tax return.

Business bad debt. A business bad debt is a loss from the worthlessness of a debt that was either of the following.

Created or acquired in your business.

Closely related to your business when it became partly or totally worthless.

Business bad debts are mainly the result of credit sales to customers.

They can also be the result of loans to suppliers, clients, employees, or distributors.

Goods and serv-ices that customers have not paid for are shown in your books as either accounts receivable or notes receivable.

A debt is closely related to your business if your primary motive for incurring the debt is a business reason.

If you are unable to collect any part of these accounts or notes receivable, the uncollectible part is a business bad debt.

Caution

- *You can take a bad debt deduction for these accounts and notes receivable only if the amount you were owed was included in your gross income either for the year the deduction is claimed or for a prior year.*

Accrual method.

- If you use an accrual method of accounting, you normally report income as you earn it.
- You can take a bad debt deduction for an uncollectible receivable if you have included the uncollectible amount in income.

Cash method.

- If you use the cash method of accounting, you normally report income when you receive payment.
- You cannot take a bad debt deduction for amounts owed to you that you have not received and cannot collect if you never included those amounts in income.

More information.

- For more information about business bad debts, see section 166 and its regulations.

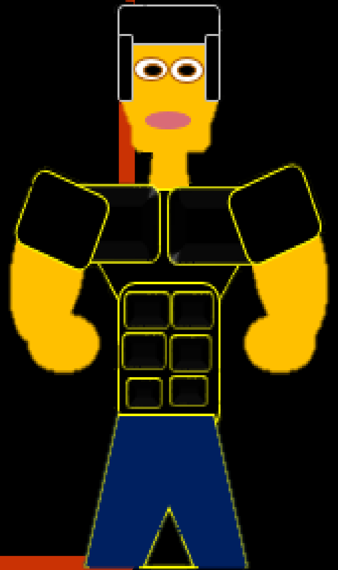
Nonbusiness bad debts.

- All other bad debts are non-business bad debts and are deductible as short-term capital losses on Form 8949 and Schedule D (Form 1040).
- For more information on nonbusiness bad debts, see section 166 and its regulations.

Income Tax

2023-2024

Business Expenses
Car and Truck Expenses



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i	Nontaxable combat pay election (see instructions) 1i		
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3a	Qualified dividends 3a; b Ordinary dividends	3b	
4a	IRA distributions 4a; b Taxable amount	4b	
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6a	Social security benefits 6a; b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
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11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

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OMB No. 1545-0074

2023

Attachment Sequence No. **01**

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Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			**1**	
2a	Alimony received			**2a**	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			**3**	
4	Other gains or (losses). Attach Form 4797			**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			**5**	
6	Farm income or (loss). Attach Schedule F			**6**	
7	Unemployment compensation			**7**	
8	Other income:				
a	Net operating loss	**8a**	( )		
b	Gambling	**8b**			
c	Cancellation of debt	**8c**			
d	Foreign earned income exclusion from Form 2555	**8d**	( )		
e	Income from Form 8853	**8e**			
f	Income from Form 8889	**8f**			
g	Alaska Permanent Fund dividends	**8g**			
h	Jury duty pay	**8h**			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**
A Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions)	18	

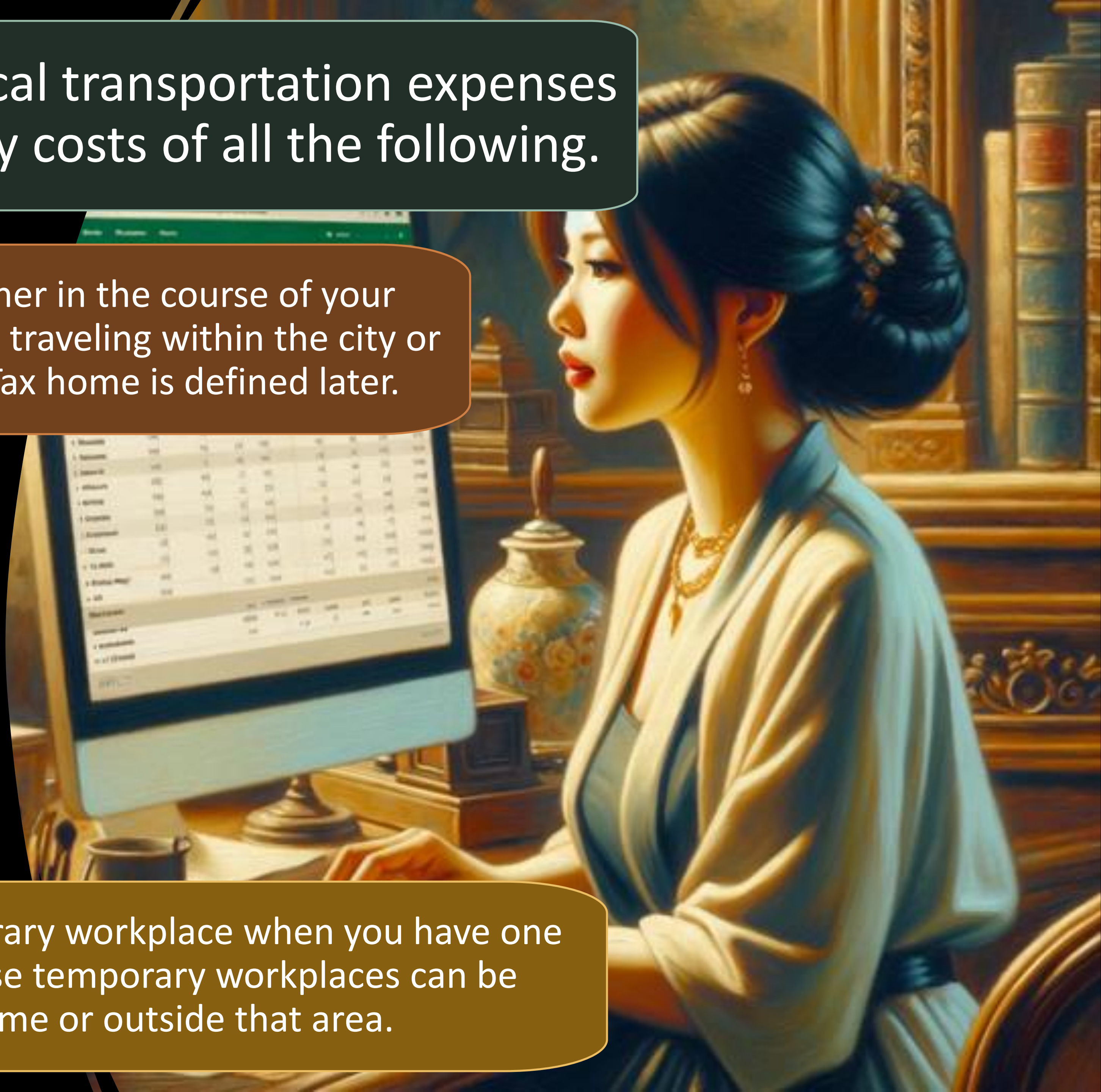
Local transportation expenses. Local transportation expenses include the ordinary and necessary costs of all the following.

Getting from one workplace to another in the course of your business or profession when you are traveling within the city or general area that is your tax home. Tax home is defined later.

Visiting clients or customers.

Going to a business meeting away from your regular workplace.

Getting from your home to a temporary workplace when you have one or more regular places of work. These temporary workplaces can be either within the area of your tax home or outside that area.



Local business transportation does not include expenses you have while traveling away from home overnight. Those expenses are deductible as travel expenses and are discussed later under *Travel and Meals*.

However, if you use your car while traveling away from home overnight, use the rules in this section to figure your car expense deduction.

Generally, your tax home is your regular place of business, regardless of where you maintain your family home. It includes the entire city or general area in which your business or work is located.

Example.

You operate a printing business out of ren-ted office space. You use your van to deliver completed jobs to your customers.

You can deduct the cost of round-trip transportation between your customers and your print shop.

Caution

- *You cannot deduct the costs of driving your car or truck between your home and your main or regular workplace.*
- *These costs are personal commuting expenses.*

Office in the home.

Your workplace can be your home if you have an office in your home that qualifies as your principal place of business.

For more information, see *Business Use of Your Home*, later.

Example

You are a graphic designer. You operate your business out of your home. Your home qualifies as your principal place of business.

You occasionally have to drive to your clients to deliver your completed work.

You can deduct the cost of the round-trip transportation between your home and your clients.

Methods for Deducting Car and Truck Expenses

For local transportation or overnight travel by car or truck, you can generally use one of the following methods to figure your expenses.

- Standard mileage rate.
- Actual expenses.

Standard mileage rate.

- You may be able to use the standard mileage rate to figure the deductible costs of operating your car, van, pickup, or panel truck for business purposes.
- The business standard mileage rate for 2023 is 65.5 cents a mile.

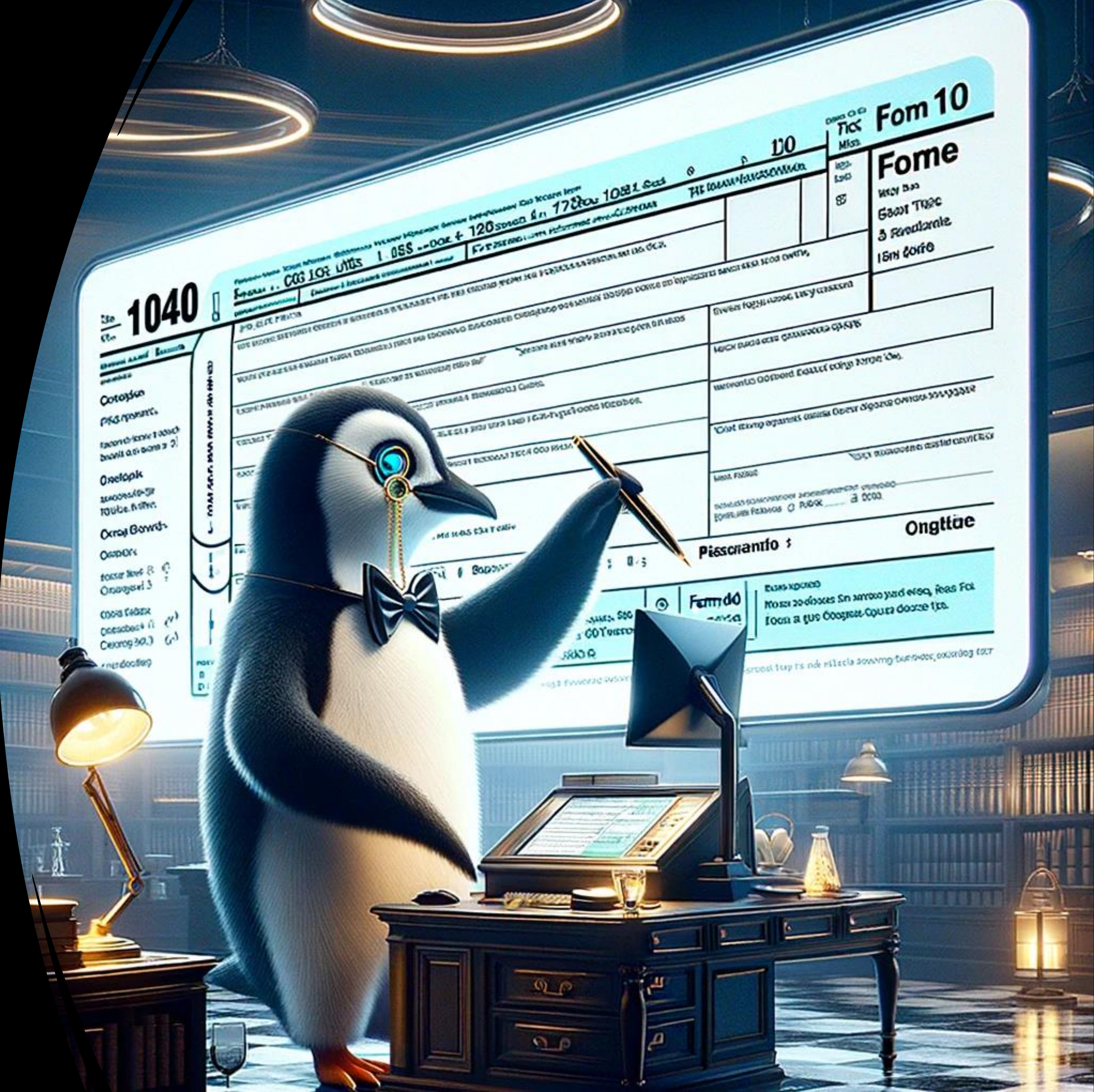
Caution

- *If you choose to use the standard mileage rate for a year, you cannot deduct your actual expenses for that year except for business-related parking fees and tolls.*

Choosing the standard mileage rate.

If you want to use the standard mileage rate for a car or truck you own, you must choose to use it in the first year the car is available for use in your business. In later years, you can choose to use either the standard mileage rate or actual expenses.

If you choose to use the standard mileage rate for a car you lease, you must use it for the entire lease period (including renewals).



Standard mileage rate not allowed. You cannot use the standard mileage rate if you:

- Operate five or more cars at the same time;
- Claimed a depreciation deduction using any method other than straight line, for example, ACRS or MACRS;
- Claimed a section 179 deduction on the car;
- Claimed the special depreciation allowance on the car;
- Claimed actual car expenses for a car you leased; or
- Are a rural mail carrier who received a qualified reimbursement.

Parking fees and tolls.

In addition to using the standard mileage rate, you can deduct any business-related parking fees and tolls.

(Parking fees you pay to park your car at your place of work are nondeductible commuting expenses.)

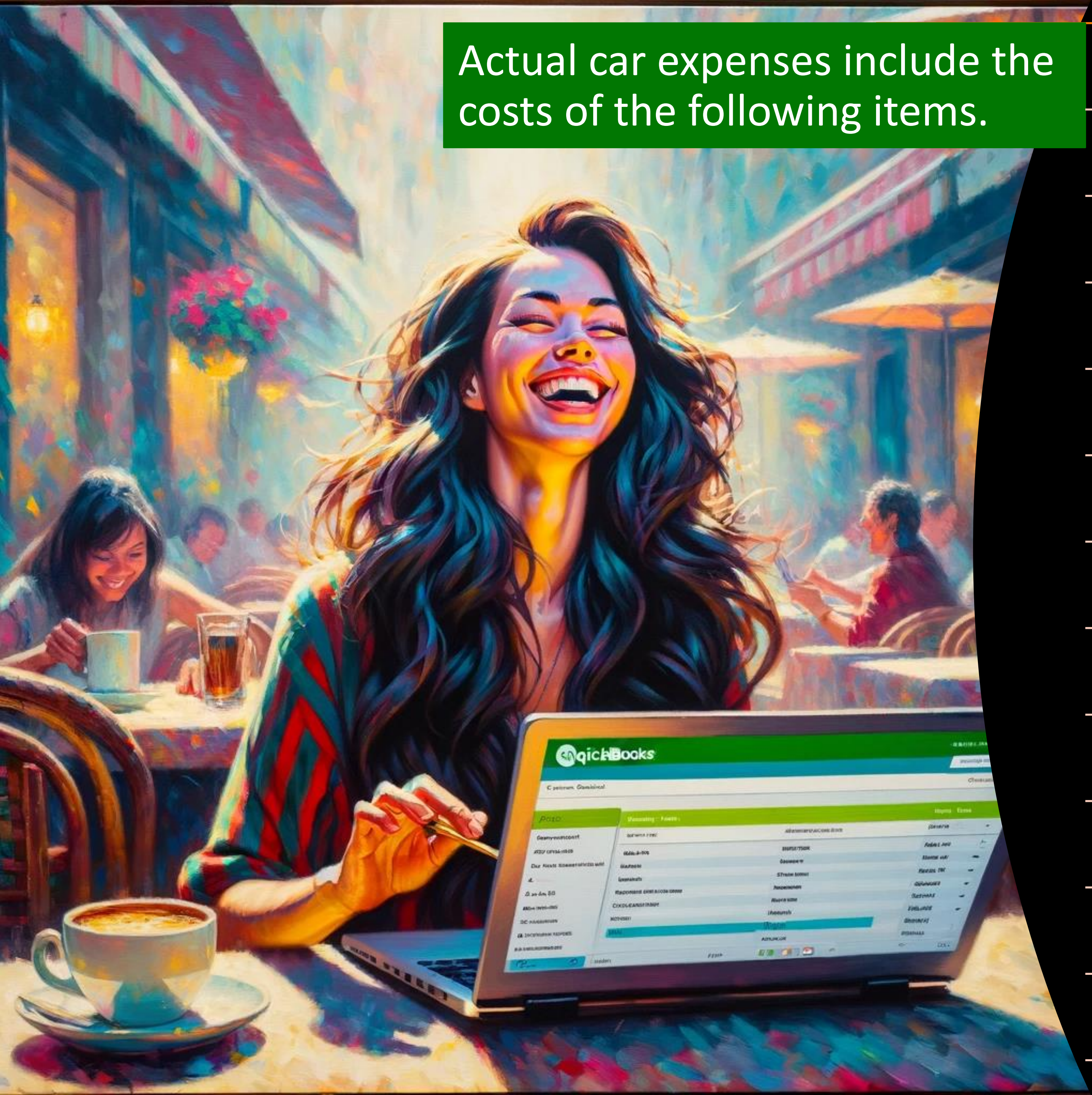
Actual expenses.

If you do not choose to use the standard mileage rate, you may be able to deduct your actual car or truck expenses.

- *If you qualify to use both methods, figure your deduction both ways to see which gives you a larger deduction.*

Tip

Actual car expenses include the costs of the following items.

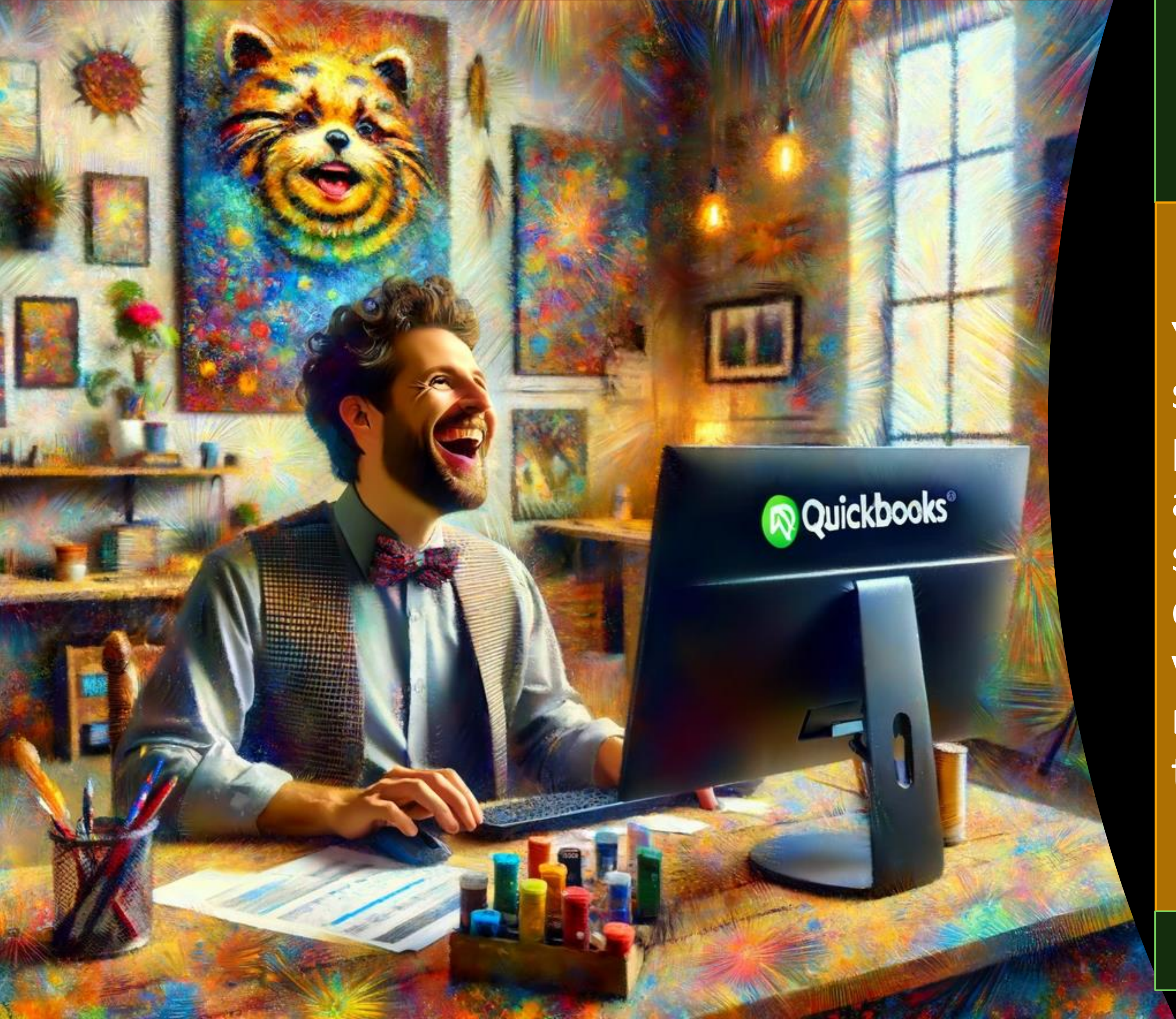


- Depreciation
- Garage rent
- Gas
- Insurance
- Lease payments
- Licenses
- Oil
- Parking fees
- Registration
- Repairs
- Tires
- Tolls

If you use your vehicle for both business and personal purposes, you must divide your expenses between business and personal use.

You can divide your expenses based on the miles driven for each purpose.

More information. For more information about the rules for claiming car and truck expenses, see Pub. 463.



Example.

You are the sole proprietor of a flower shop. You drove your van 20,000 miles during the year.

16,000 miles were for delivering flowers to customers and 4,000 miles were for personal use (including commuting miles).

You can claim only 80% (16,000 ÷ 20,000) of the cost of operating your van as a business expense.

Reimbursing Your Employees for Expenses

You can generally deduct the amount you reimburse your employees for car and truck expenses.

The reimbursement you deduct and the manner in which you deduct it depend in part on whether you reimburse the expenses under an accountable plan or a nonaccountable plan.

For details, see Pub. 15. That publication explains accountable and nonaccountable plans and tells you whether to re-port the reimbursement on your employee's Form W-2.

Income Tax

2023-2024

Depreciation Overview

Tax Guide for Small Business

(For Individuals Who Use Schedule C)

Publication 334

Catalog Number 11063P

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	
b	Household employee wages not reported on Form(s) W-2		1b	
c	Tip income not reported on line 1a (see instructions)		1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
e	Taxable dependent care benefits from Form 2441, line 26		1e	
f	Employer-provided adoption benefits from Form 8839, line 29		1f	
g	Wages from Form 8919, line 6		1g	
h	Other earned income (see instructions)		1h	
i	Nontaxable combat pay election (see instructions)	1i		
z	Add lines 1a through 1h		1z	

Attach Sch. B if required.

2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
4a	IRA distributions	4a	b Taxable amount	4b	
5a	Pensions and annuities	5a	b Taxable amount	5b	
6a	Social security benefits	6a	b Taxable amount	6b	

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	( )
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	( )
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Depreciation

- If property you acquire to use in your business is expected to last more than 1 year, you generally cannot deduct the entire cost as a business expense in the year you acquire it.
- You must spread the cost over more than 1 tax year and deduct part of it each year on Schedule C. This method of deducting the cost of business property is called depreciation.

It must be property you own.

It must be used in business or held to produce income. You can never depreciate inventory (explained in chapter 2) because it is not held for use in your business.

It must have a useful life that extends substantially beyond the year it is placed in service.

It must have a determinable useful life, which means that it must be something that wears out, decays, gets used up, becomes obsolete, or loses its value from natural causes. You can never depreciate the cost of land because land does not wear out, become obsolete, or get used up.

It must not be excepted property. This includes property placed in service and disposed of in the same year.

Repairs.

In general, you do not depreciate the costs of repairs or maintenance if they do not improve your property. Instead, you deduct these amounts on line 21 of Schedule C.

Improvements are amounts paid for betterments to your property, restorations of your property, or work that adapts your property to a new or different use.

Election to capitalize repair and maintenance costs that do not improve your property.

You can make an election to treat certain repairs or replacements in your trade or business as improvements subject to depreciation.

This election is available if you treat these amounts as capital expenditures on your books and re-cords regularly used in computing your income and expenses.

- The method for depreciating most business and investment property placed in service after 1986 is called the Modified Accelerated Cost Recovery System (MACRS).
- MACRS is discussed in detail in Pub. 946.

Depreciation method.

Section 179 deduction.

You can elect to deduct a limited amount of the cost of certain depreciable property in the year you place the property in service. This deduction is known as the section 179 deduction. The maximum amount you can elect to deduct during 2023 is generally $1,160,000 (higher limits apply to certain property).

This limit is generally reduced by the amount by which the cost of the property placed in service during the tax year exceeds $2,890,000.

The total amount of depreciation (including the section 179 deduction) you can take for a passenger automobile you use in your business and first place in service in 2023 is $12,200 ($20,200 if you take the special depreciation allowance for qualified passenger automobiles placed in service in 2023). Special rules apply to trucks and vans.

For more information, see Pub. 946. It explains what property qualifies for the deduction, what limits apply to the deduction, and when and how to recapture the deduction.

Caution

Your section 179 election for the cost of any sport utility vehicle (SUV) and certain other vehicles is limited to $28,900.

For more information, see the Instructions for Form 4562 or Pub. 946.

Listed property. You must follow special rules and recordkeeping requirements when depreciating listed property. Listed property includes any of the following.

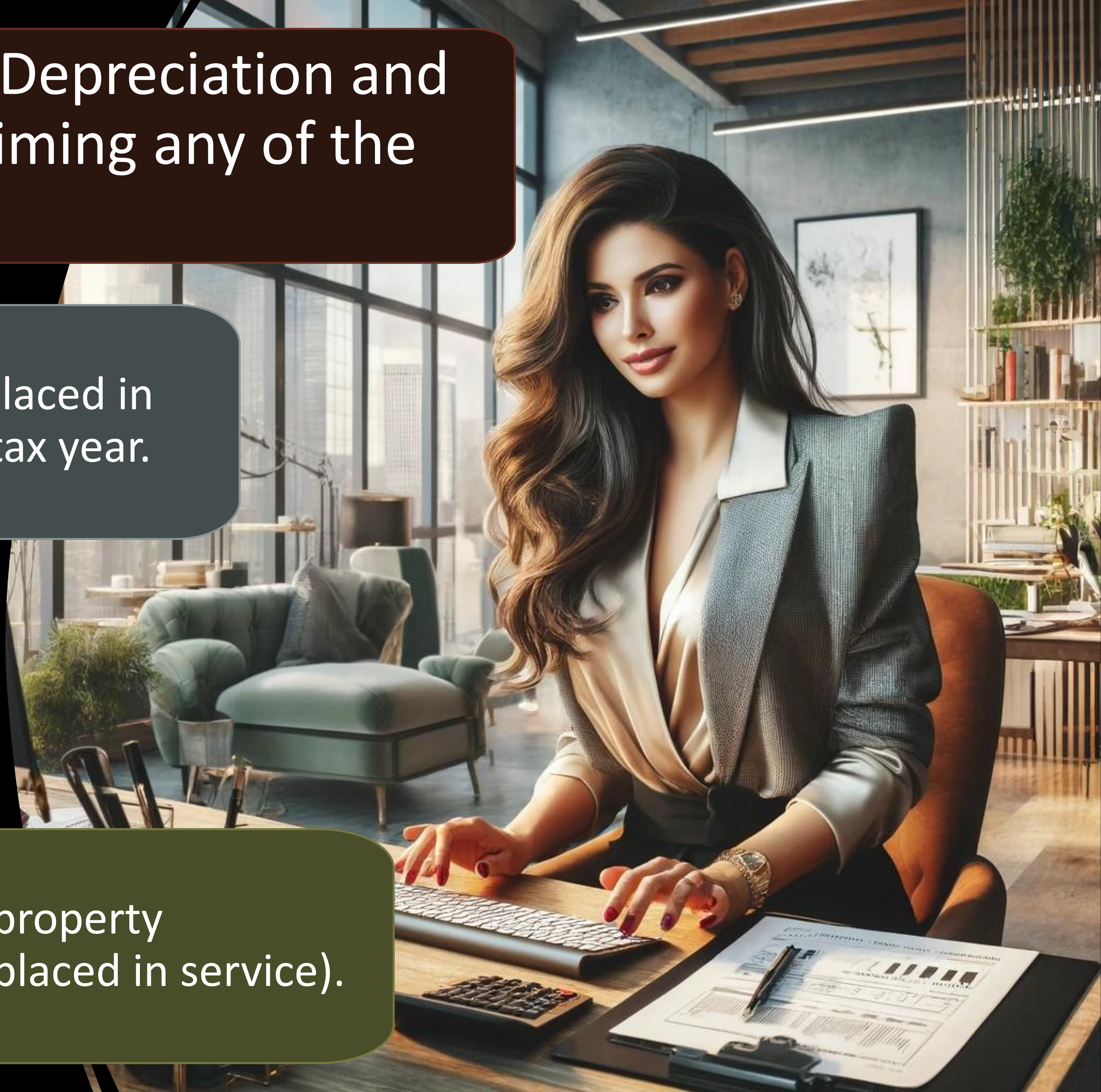
- Most passenger automobiles.
- Most other property used for transportation.
- Any property of a type generally used for entertainment, recreation, or amusement.

Form 4562. Use Form 4562, Depreciation and Amortization, if you are claiming any of the following.

Depreciation on property placed in service during the current tax year.

A section 179 deduction.

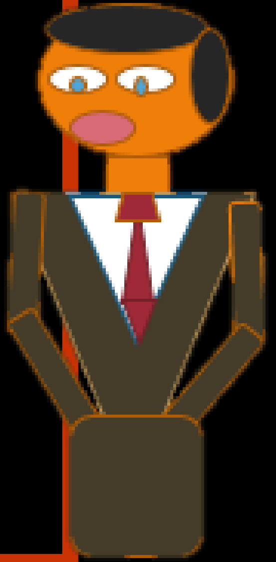
Depreciation on any listed property (regardless of when it was placed in service).



Income Tax

2023-2024

Depreciation – What’s New, Resources, & Property that can and Cannot be Depreciated



Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)				1a	
b	Household employee wages not reported on Form(s) W-2				1b	
c	Tip income not reported on line 1a (see instructions)				1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)				1d	
e	Taxable dependent care benefits from Form 2441, line 26				1e	
f	Employer-provided adoption benefits from Form 8839, line 29				1f	
g	Wages from Form 8919, line 6				1g	
h	Other earned income (see instructions)				1h	
i	Nontaxable combat pay election (see instructions)	1i				
z	Add lines 1a through 1h				1z	
2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRA distributions	4a		b Taxable amount	4b	
5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐					
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐				7	
8	Additional income from Schedule 1, line 10				8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**				9	
10	Adjustments to income from Schedule 1, line 26				10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**				11	
12	**Standard deduction or itemized deductions** (from Schedule A)				12	
13	Qualified business income deduction from Form 8995 or Form 8995-A				13	
14	Add lines 12 and 13				14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**				15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	( )
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	( )
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

What's New for 2023

Section 179 deduction dollar limits.

For tax years beginning in 2023, the maximum section 179 expense de-duction is $1,160,000.

This limit is reduced by the amount by which the cost of section 179 property placed in serv-ice during the tax year exceeds $2,890,000.

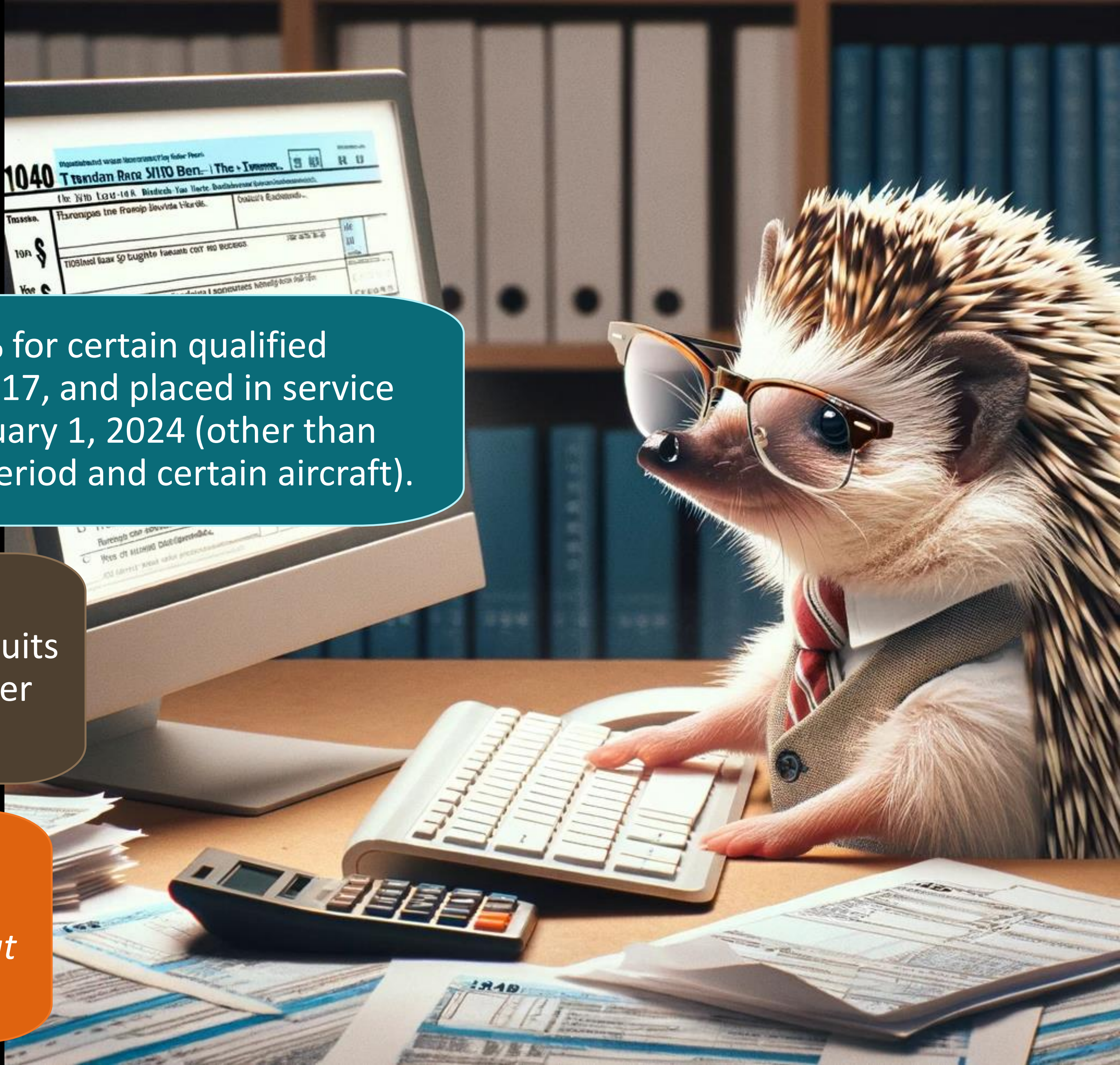
Also, the maximum section 179 expense deduction for sport utility vehicles placed in service in tax years beginning in 2023 is $28,900.

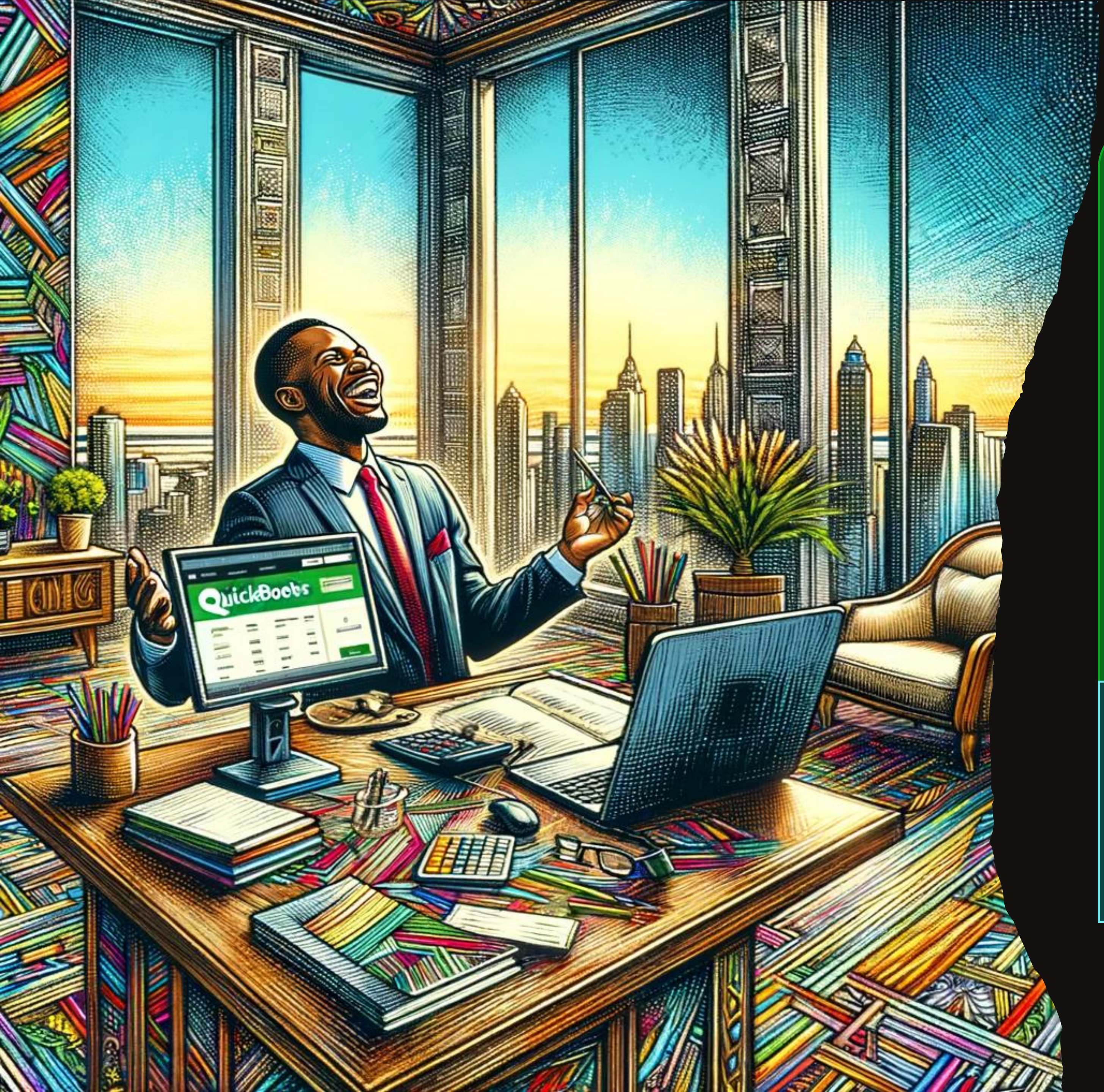
Phase down of special depreciation allowance.

The special depreciation allowance is 80% for certain qualified property acquired after September 27, 2017, and placed in service after December 31, 2022, and before January 1, 2024 (other than certain property with a long production period and certain aircraft).

The special depreciation allowance is also 80% for certain specified plants bearing fruits and nuts planted or grafted after December 31, 2022, and before January 1, 2024.

See *Certain Qualified Property Acquired After September 27, 2017* and *Certain Plants Bearing Fruits and Nuts* under *What Is Qualified Property?* in chapter 3.





Depreciation limits on business vehicles.

- The total section 179 deduction and depreciation you can deduct for a passenger automobile, including a truck or van, you use in your business and first placed in service in 2023 is $20,200, if the special depreciation allowance applies, or $12,200, if the special depreciation allowance does not apply.
- See *Maximum Depreciation Deduction* in chapter 5.

What’s New for 2024

Section 179 deduction dollar limits.

For tax years beginning in 2024, the maximum section 179 expense de-duction is $1,220,000.

This limit is reduced by the amount by which the cost of section 179 property placed in service during the tax year exceeds $3,050,000.

Also, the maximum section 179 expense deduction for sport utility vehicles placed in service in tax years beginning in 2024 is $30,500.

Phase down of special depreciation allowance.

The special depreciation allowance is 60% for certain qualified property acquired after September 27, 2017, and placed in service after December 31, 2023, and before January 1, 2025 (other than certain property with a long production period and certain aircraft).

Property with a long production period and certain aircraft placed in service after December 31, 2023, and before January 1, 2025, is eligible for a special depreciation allowance of 80% of the depreciable basis of the property.

The special depreciation allowance is also 60% for certain specified plants bearing fruits and nuts planted or grafted after December 31, 2023, and before January 1, 2025.

See *Certain Qualified Property Acquired After September 27, 2017* and *Certain Plants Bearing Fruits and Nuts* under *What Is Qualified Property?* in chapter 3.

Definitions.

- Many of the terms used in this publication are defined in the *Glossary* at the end of this publication.
- Glossary terms used in each discussion under the major headings are listed before the beginning of each discussion throughout the publication.

Do you need a different publication?

- The following table shows where you can get more detailed information when depreciating certain types of property.

For information on depreciating:	See Publication:
A car	463, Travel, Gift, and Car Expenses
Residential rental property	527, Residential Rental Property
Office space in your home	587, Business Use of Your Home
Farm property	225, Farmer's Tax Guide

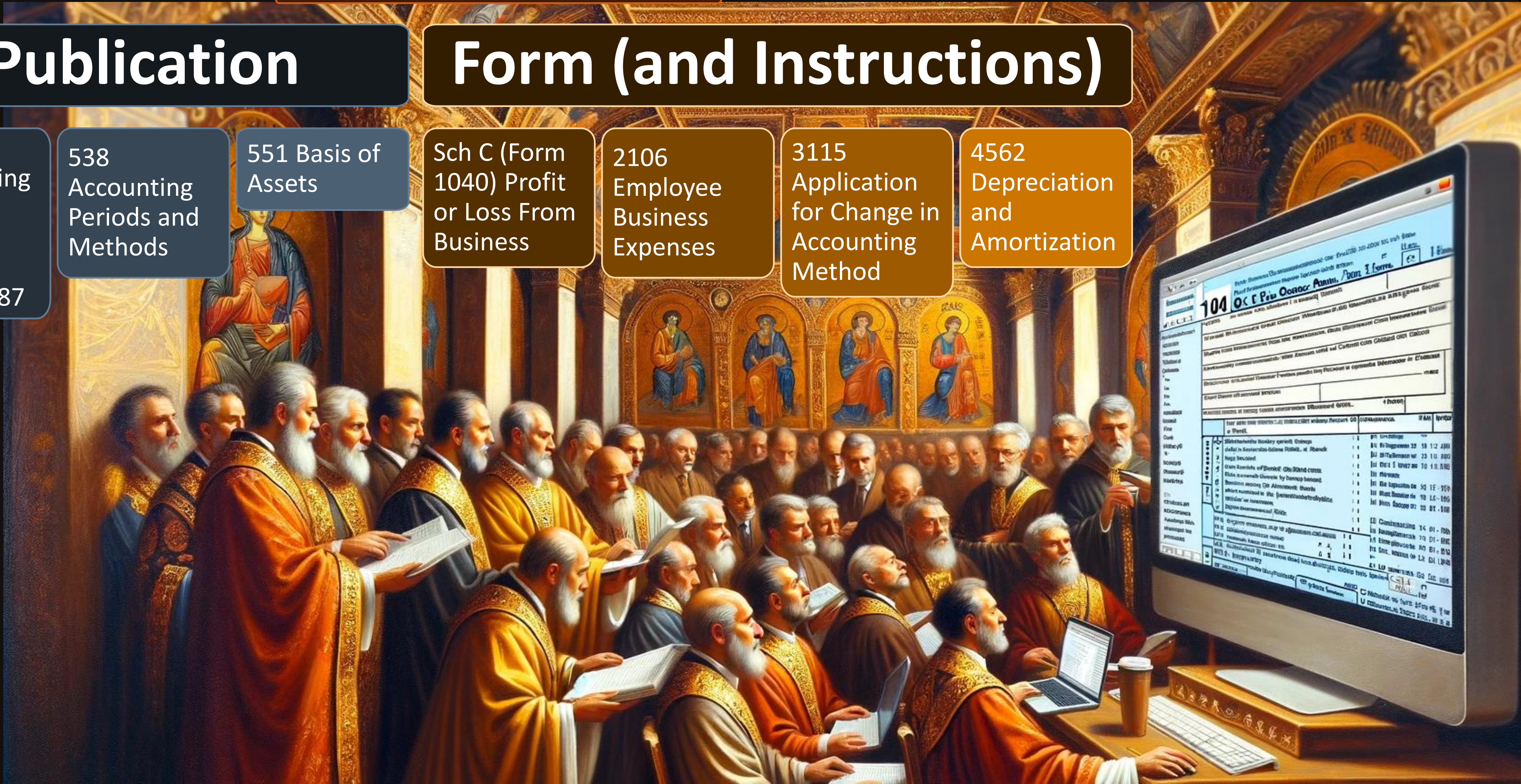
Useful Items

Publication

- 534 Depreciating Property Placed in Service Before 1987
- 538 Accounting Periods and Methods
- 551 Basis of Assets

Form (and Instructions)

- Sch C (Form 1040) Profit or Loss From Business
- 2106 Employee Business Expenses
- 3115 Application for Change in Accounting Method
- 4562 Depreciation and Amortization



Terms you may need to know (see Glossary):

- Adjusted basis
- Basis
- Commuting
- Disposition
- Fair market value (FMV)
- Intangible property
- Listed property
- Placed in service
- Tangible property
- Term interest
- Useful life

You can depreciate most types of tangible property (except land), such as buildings, machinery, vehicles, furniture, and equipment. You can also depreciate certain intangible property, such as patents, copyrights, and computer software. To be depreciable, the property must meet all the following requirements.

- It must be property you own.
- It must be used in your business or income-producing activity.
- It must have a determinable useful life.
- It must be expected to last more than 1 year.

Property You Own

- To claim depreciation, you must usually be the owner of the property. You are considered as owning property even if it is subject to a debt.

Example 1.

You made a down payment to purchase rental property and assumed the previous owner's mortgage. You own the property and you can depreciate it.

Example 2.

You bought a new van that you will use only for your courier business. You will be making payments on the van over the next 5 years. You own the van and you can depreciate it.

Leased property

You can depreciate leased property only if you retain the incidents of ownership in the property (explained below). This means you bear the burden of exhaustion of the capital investment in the property.

Therefore, if you lease property from someone to use in your trade or business or for the production of income, generally you cannot depreciate its cost because you do not retain the incidents of ownership.

You can, however, depreciate any capital improvements you make to the property. See *How Do You Treat Repairs and Improvements*, later in this chapter, and *Additions and Improvements* under *Which Recovery Period Applies?* in chapter 4.

If you lease property to someone, you can generally depreciate its cost even if the lessee (the person leasing from you) has agreed to preserve, replace, renew, and maintain the property.

However, if the lease provides that the lessee is to maintain the property and return to you the same property or its equivalent in value at the expiration of the lease in as good condition and value as when leased, you cannot depreciate the cost of the property.

Incidents of ownership. Incidents of ownership in property include the following.

- The legal title to the property.
- The legal obligation to pay for the property.
- The responsibility to pay maintenance and operating expenses.
- The duty to pay any taxes on the property.
- The risk of loss if the property is destroyed, condemned, or diminished in value through obsolescence or exhaustion.

Life tenant.

Generally, if you hold business or investment property as a life tenant, you can depreciate it as if you were the absolute owner of the property.

However, see *Certain term interests in property* under *Excepted Property*, later.

Property Used in Your Business or Income-Producing Activity

To claim depreciation on property, you must use it in your business or income-producing activity.

If you use property to produce income (investment use), the income must be taxable.

You cannot depreciate property that you use solely for personal activities.

Partial business or investment use.

If you use property for business or investment purposes and for personal purposes, you can deduct depreciation based only on the business or investment use.

For example, you cannot deduct depreciation on a car used only for commuting, personal shopping trips, family vacations, driving children to and from school, or similar activities.

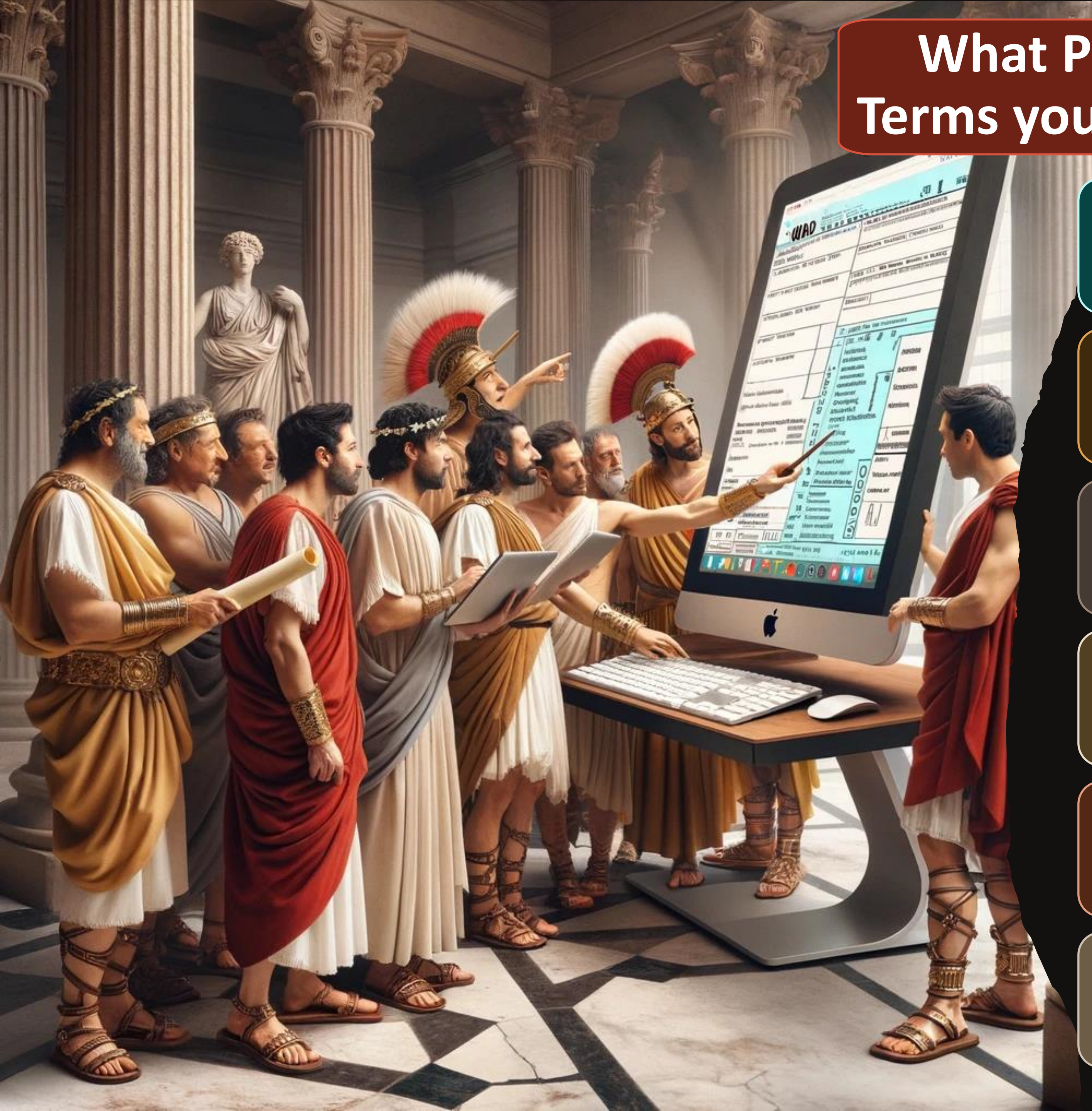
Office in the home.

If you use part of your home as an office, you may be able to deduct depreciation on that part based on its business use.

For information about depreciating your home office, see Pub. 587.

Property Having a Determinable Useful Life

- To be depreciable, your property must have a determinable useful life.
- This means that it must be something that wears out, decays, gets used up, becomes obsolete, or loses its value from natural causes.



What Property Cannot Be Depreciated?
Terms you may need to know (see Glossary):

- Amortization
- Basis
- Goodwill
- Intangible property
- Remainder interest
- Term interest

Land

You cannot depreciate the cost of land because land does not wear out, become obsolete, or get used up. The cost of land generally includes the cost of clearing, grading, planting, and landscaping.

Although you cannot depreciate land, you can depreciate certain land preparation costs, such as landscaping costs, incurred in preparing land for business use.

These costs must be so closely associated with other depreciable property that you can determine a life for them along with the life of the associated property.

You constructed a new building for use in your business and paid for grading, clearing, seeding, and planting bushes and trees.

Some of the bushes and trees were planted right next to the building, while others were planted around the outer border of the lot.

If you replace the building, you would have to destroy the bushes and trees right next to it.

These bushes and trees are closely associated with the building, so they have a determinable useful life.

Therefore, you can depreciate them.

Add your other land preparation costs to the basis of your land because they have no determinable life and you cannot depreciate them.

Example

Property placed in service and disposed of in the same year. Determining when property is placed in service is explained later.

Equipment used to build capital improvements. You must add otherwise allowable depreciation on the equipment during the period of construction to the basis of your improvements. See *Uniform Capitalization Rules* in Pub. 551.

Section 197 intangibles. You must amortize these costs. Intangible property, such as certain computer software, that is not section 197 intangible property, can be depreciated if it meets certain requirements. See *Intangible Property*, later.

Certain term interests.

Related persons.

- For a description of related per-sons, see *Related Persons*, later. For this purpose, how-ever, treat as related persons only the relationships listed in items (1) through (10) of that discussion and substitute “50%” for “10%” each place it appears.

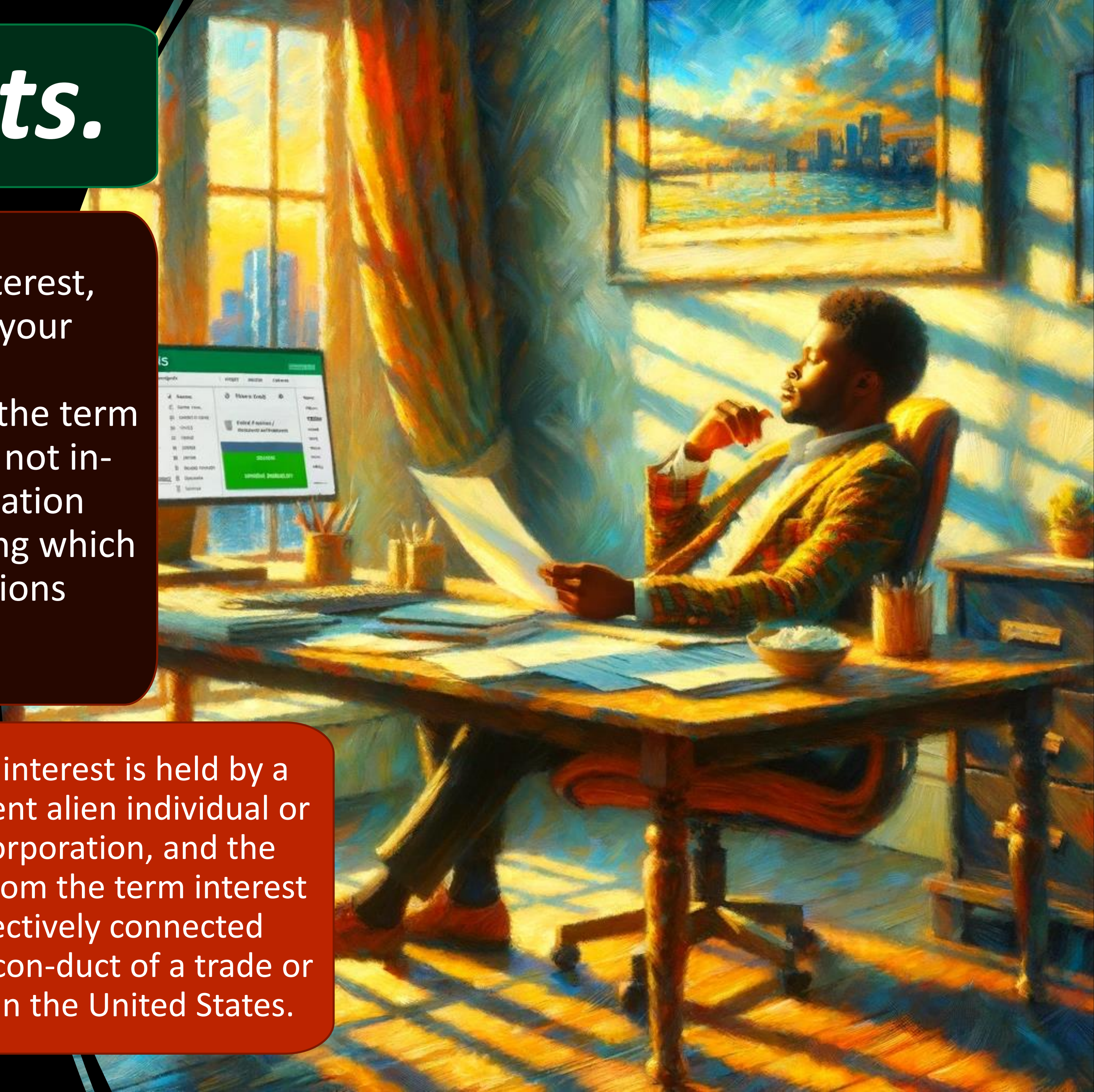
Basis adjustments.

If you would be allowed a depreciation deduction for a term interest in property except that the holder of the remainder interest is related to you, you must generally reduce your basis in the term interest by any depreciation or amortization not allowed.

If you hold the remainder interest, you must generally increase your basis in that interest by the depreciation not allowed to the term interest holder. However, do not increase your basis for depreciation not allowed for periods during which either of the following situations applies.

The term interest is held by an organization exempt from tax.

The term interest is held by a nonresident alien individual or foreign corporation, and the income from the term interest is not effectively connected with the con-duct of a trade or business in the United States.



Exceptions.

- The above rules do not apply to the holder of a term interest in property acquired by gift, bequest, or inheritance.
- They also do not apply to the holder of dividend rights that were separated from any stripped preferred stock if the rights were purchased after April 30, 1993, or to a person whose basis in the stock is deter-mined by reference to the basis in the hands of the purchaser.

Income Tax
2023-2024

Depreciation Timing & Method

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
4a	IRA distributions	4a	b Taxable amount	4b	
5a	Pensions and annuities	5a	b Taxable amount	5b	
6a	Social security benefits	6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			7	
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			9	
10	Adjustments to income from Schedule 1, line 26			10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**			11	
12	**Standard deduction or itemized deductions** (from Schedule A)			12	
13	Qualified business income deduction from Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**			15	

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	**1**	
2a	Alimony received	**2a**	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	**3**	
4	Other gains or (losses). Attach Form 4797	**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	**5**	
6	Farm income or (loss). Attach Schedule F	**6**	
7	Unemployment compensation	**7**	
8	Other income:		
a	Net operating loss	**8a**	( )
b	Gambling	**8b**	
c	Cancellation of debt	**8c**	
d	Foreign earned income exclusion from Form 2555	**8d**	( )
e	Income from Form 8853	**8e**	
f	Income from Form 8889	**8f**	
g	Alaska Permanent Fund dividends	**8g**	
h	Jury duty pay	**8h**	

SCHEDULE C (Form 1040)

Department of the Treasury Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A Principal business or profession, including product or service (see instructions)

B **Enter code from instructions**

C Business name. If no separate business name, leave blank.

D **Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

When Does Depreciation Begin and End?

- You begin to depreciate your property when you place it in service for use in your trade or business or for the production of income.
- You stop depreciating property either when you have fully recovered your cost or other basis or when you retire it from service, whichever happens first.

Placed in Service

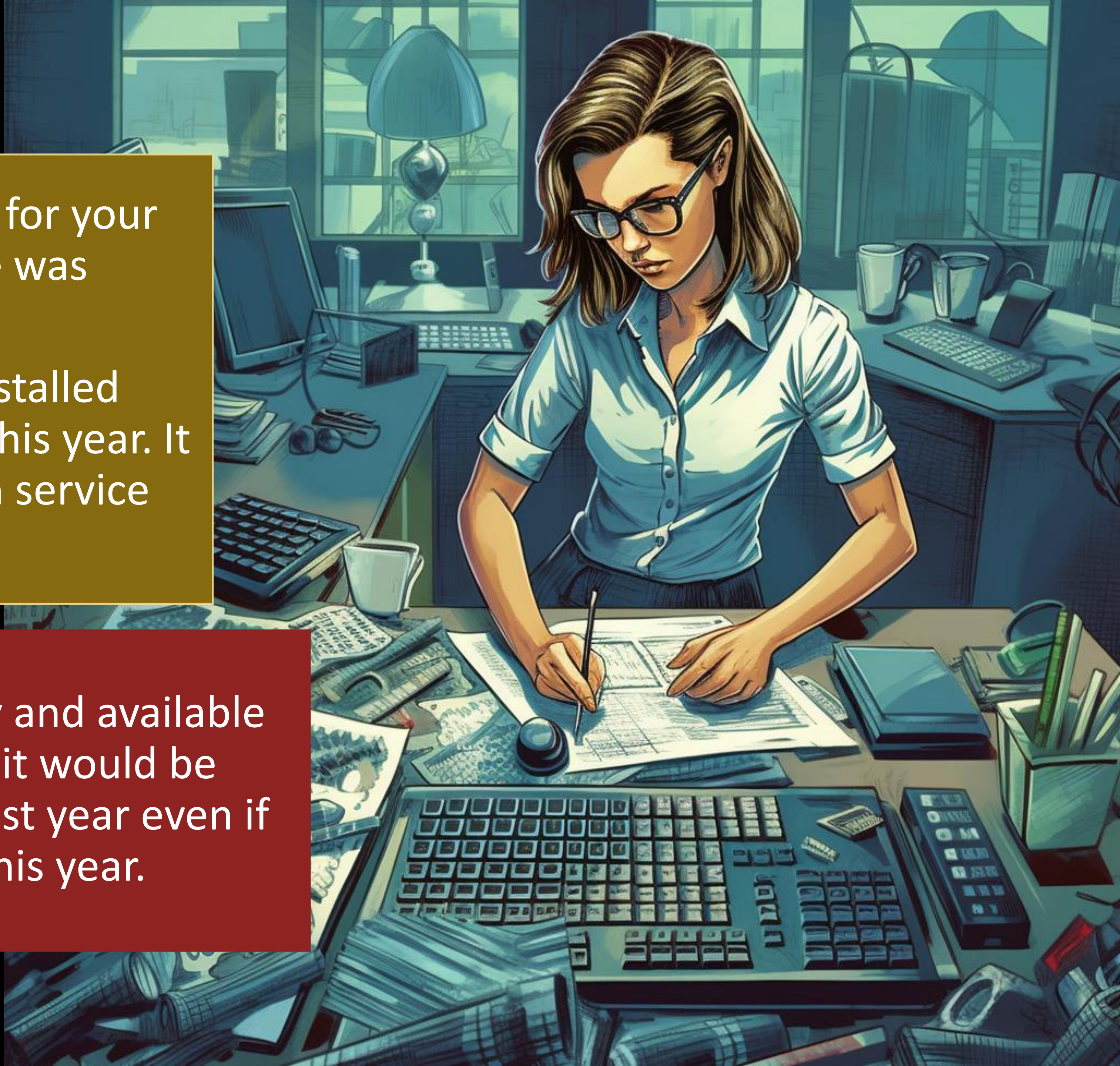
- You place property in service when it is ready and available for a specific use, whether in a business activity, an income-producing activity, a tax-exempt activity, or a personal activity.
- Even if you are not using the property, it is in service when it is ready and available for its specific use.

Example 1.

You bought a machine for your business. The machine was delivered last year.

However, it was not installed and operational until this year. It is considered placed in service this year.

If the machine had been ready and available for use when it was delivered, it would be considered placed in service last year even if it was not actually used until this year.



Example 2.

On April 6, Sue Thorn bought a house to use as residential rental property. Sue made several re-pairs and had it ready for rent on July 5. At that time, Sue began to advertise it for rent in the local newspaper.

The house is considered placed in service in July when it was ready and available for rent. Sue can begin to depreciate it in July.

Example 3.

James Elm is a building contractor who specializes in constructing office buildings. James bought a truck last year that had to be modified to lift materials to second-story levels.

The installation of the lifting equipment was completed and James accepted delivery of the modified truck on January 10 of this year.

The truck was placed in service on January 10, the date it was ready and available to perform the function for which it was bought.

Conversion to business use.

If you place property in service in a personal activity, you cannot claim depreciation.

However, if you change the property's use to use in a business or income-producing activity, then you can begin to depreciate it at the time of the change.

You place the property in service in the business or income-producing activity on the date of the change.

Example.

You bought a home and used it as your personal home several years before you converted it to rental property.

Although its specific use was personal and no depreciation was allowable, you placed the home in service when you began using it as your home.

You can begin to claim depreciation in the year you converted it to rental property because its use changed to an income-producing use at that time.

Idle Property

Continue to claim a deduction for depreciation on property used in your business or for the production of income even if it is temporarily idle (not in use).

For example, if you stop using a machine because there is a temporary lack of a market for a product made with that machine, continue to deduct depreciation on the machine.

Cost or Other Basis Fully Recovered

- You stop depreciating property when you have fully recovered your cost or other basis.
- You fully recover your basis when your section 179 deduction, allowed or allowable depreciation deductions, and salvage value, if applicable, equal the cost or investment in the property.
- See *What Is the Basis of Your Depreciable Property*, later.

Retired From Service

You stop depreciating property when you retire it from service, even if you have not fully recovered its cost or other basis.

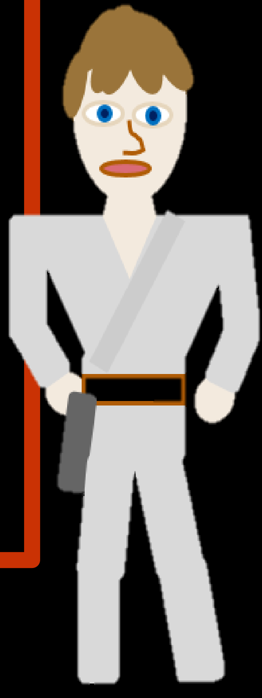
You retire property from service when you permanently withdraw it from use in a trade or business or from use in the production of income because of any of the following events.

- You sell or exchange the property.
- You convert the property to personal use.
- You abandon the property.
- You transfer the property to a supplies or scrap account.
- The property is destroyed.

Income Tax

2023-2024

What Method Can You Use To Depreciate Your Property?



Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
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d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
4a	IRA distributions	4a	b Taxable amount	4b	
5a	Pensions and annuities	5a	b Taxable amount	5b	
6a	Social security benefits	6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			7	
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			9	
10	Adjustments to income from Schedule 1, line 26			10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**			11	
12	**Standard deduction or itemized deductions** (from Schedule A)			12	
13	Qualified business income deduction from Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**			15	

SCHEDULE 1 (Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			

SCHEDULE C (Form 1040)

Department of the Treasury Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor | **Social security number (SSN)**

A Principal business or profession, including product or service (see instructions) | **B Enter code from instructions**

C Business name. If no separate business name, leave blank. | **D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

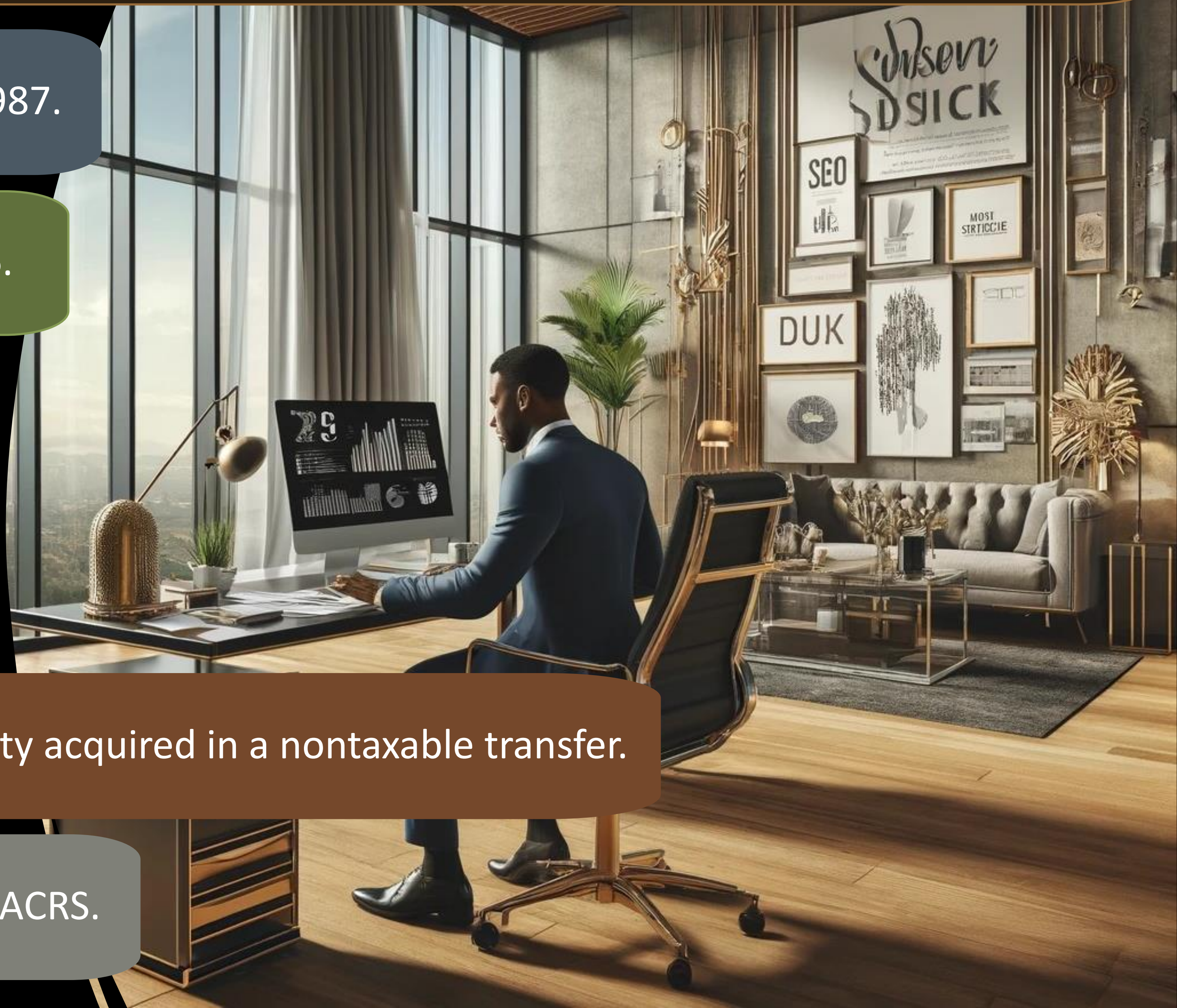
1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

You must use the Modified Accelerated Cost Recovery System (MACRS) to depreciate most property. MACRS is discussed in chapter 4. You cannot use MACRS to depreciate the following property.

- Property you placed in service before 1987.
- Certain property owned or used in 1986.
- Intangible property.
- Films, videotapes, and recordings.
- Certain corporate or partnership property acquired in a nontaxable transfer.
- Property you elected to exclude from MACRS.



Property You Placed in Service Before 1987

You cannot use MACRS for property you placed in service before 1987 (except property you placed in service after July 31, 1986, if MACRS was elected).

Property placed in service before 1987 must be depreciated under the methods discussed in Pub. 534.

Use of real property changed.

You must generally use MACRS to depreciate real property that you acquired for personal use before 1987 and changed to business or income-producing use after 1986.

Improvements made after 1986.

You must treat an improvement made after 1986 to property you placed in service before 1987 as separate depreciable property.

Therefore, you can depreciate that improvement as separate property under MACRS if it is the type of property that otherwise qualifies for MACRS depreciation.

For more in-formation about improvements, see *How Do You Treat Re-pairs and Improvements*, later, and *Additions and Improvements* under *Which Recovery Period Applies?* in chapter 4.

Property Owned or Used in 1986

You may not be able to use MACRS for property you acquired and placed in service after 1986 if any of the situations described below apply.

If you cannot use MACRS, the property must be depreciated under the methods discussed in Pub. 534.

You or someone related to you owned or used the property in 1986.

You acquired the property from a person who owned it in 1986 and as part of the transaction the user of the property did not change.

You lease the property to a person (or someone related to this person) who owned or used the property in 1986.

You acquired the property in a transaction in which:

The user of the property did not change, and

The property was not MACRS property in the hands of the person from whom you acquired it because of (2) or (3) above.

Real property. You generally cannot use MACRS for real property (section 1250 property) in any of the following situations.

You or someone related to you owned the property in 1986.

You lease the property to a person who owned the property in 1986 (or someone related to that person).

You acquired the property in a like-kind exchange, in-voluntary conversion, or repossession of property you or someone related to you owned in 1986. MACRS applies only to that part of your basis in the acquired property that represents cash paid or unlike property given up. It does not apply to the carried-over part of the basis.

Exceptions. The rules above do not apply to the following.

Residential rental property or nonresidential real property.

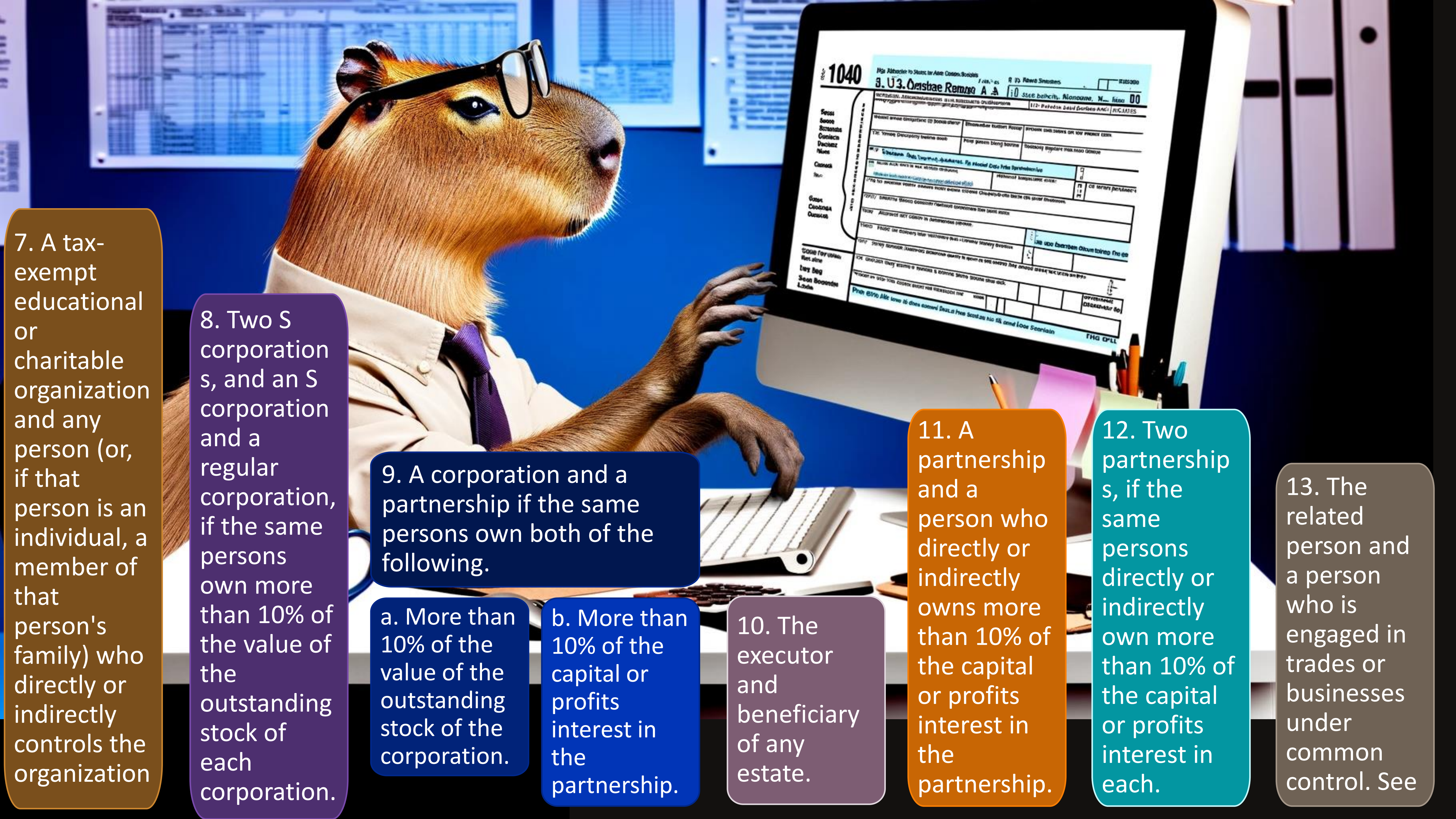
Any property if, in the first tax year it is placed in serv-ice, the deduction under the Accelerated Cost Recovery System (ACRS) is more than the deduction under MACRS using the half-year convention.

For information on how to figure depreciation under ACRS, see Pub. 534.

Property that was MACRS property in the hands of the person from whom you acquired it because of (2) above.

Related persons. For this purpose, the following are related persons.

1. An individual and a member of their family, including only a spouse, child, parent, sibling, half sibling, ancestor, and lineal descendant.
2. A corporation and an individual who directly or indirectly owns more than 10% of the value of the outstanding stock of that corporation.
3. Two corporations that are members of the same controlled group.
4. A trust fiduciary and a corporation if more than 10% of the value of the outstanding stock is directly or indirectly owned by or for the trust or grantor of the trust.
5. The grantor and fiduciary, and the fiduciary and beneficiary, of any trust.
6. The fiduciaries of two different trusts, and the fiduciaries and beneficiaries of two different trusts, if the same person is the grantor of both trusts.


1040
7. A tax-exempt educational or charitable organization and any person (or, if that person is an individual, a member of that person's family) who directly or indirectly controls the organization
8. Two S corporations, and an S corporation and a regular corporation, if the same persons own more than 10% of the value of the outstanding stock of each corporation.
9. A corporation and a partnership if the same persons own both of the following.
a. More than 10% of the value of the outstanding stock of the corporation.
b. More than 10% of the capital or profits interest in the partnership.
10. The executor and beneficiary of any estate.
11. A partnership and a person who directly or indirectly owns more than 10% of the capital or profits interest in the partnership.
12. Two partnerships, if the same persons directly or indirectly own more than 10% of the capital or profits interest in each.
13. The related person and a person who is engaged in trades or businesses under common control. See

When to determine relationship.

You must determine whether you are related to another person at the time you acquire the property.

A partnership acquiring property from a terminating partnership must determine whether it is related to the terminating partnership immediately before the event causing the termination.

Constructive ownership of stock or partnership interest. To determine whether a person directly or indirectly owns any of the outstanding stock of a corporation or an interest in a partnership, apply the following rules.

Stock or a partnership interest directly or indirectly owned by or for a corporation, partnership, estate, or trust is considered owned proportionately by or for its shareholders, partners, or beneficiaries. However, for a partnership interest owned by or for a C corporation, this applies only to shareholders who directly or indirectly own 5% or more of the value of the stock of the corporation.

An individual is considered to own the stock or partnership interest directly or indirectly owned by or for the individual's family.

An individual who owns, except by applying rule (2), any stock in a corporation is considered to own the stock directly or indirectly owned by or for the individual's partner.

For purposes of rule (1), (2), or (3), stock or a partner-ship interest considered to be owned by a person under rule (1) is treated as actually owned by that person. However, stock or a partnership interest considered to be owned by an individual under rule (2) or (3) is not treated as owned by that individual for reapplying either rule (2) or (3) to make another per-son considered to be the owner of the same stock or partnership interest.

Intangible Property

Generally, if you can depreciate intangible property, you usually use the straight line method of depreciation.

However, you can choose to depreciate certain intangible property under the income forecast method (discussed later).

Caution

- *You cannot depreciate intangible property that is a section 197 intangible or that does not otherwise meet all the requirements discussed earlier under* What Property Can Be Depreciated.

Straight Line Method

This method lets you deduct the same amount of depreciation each year over the useful life of the property.

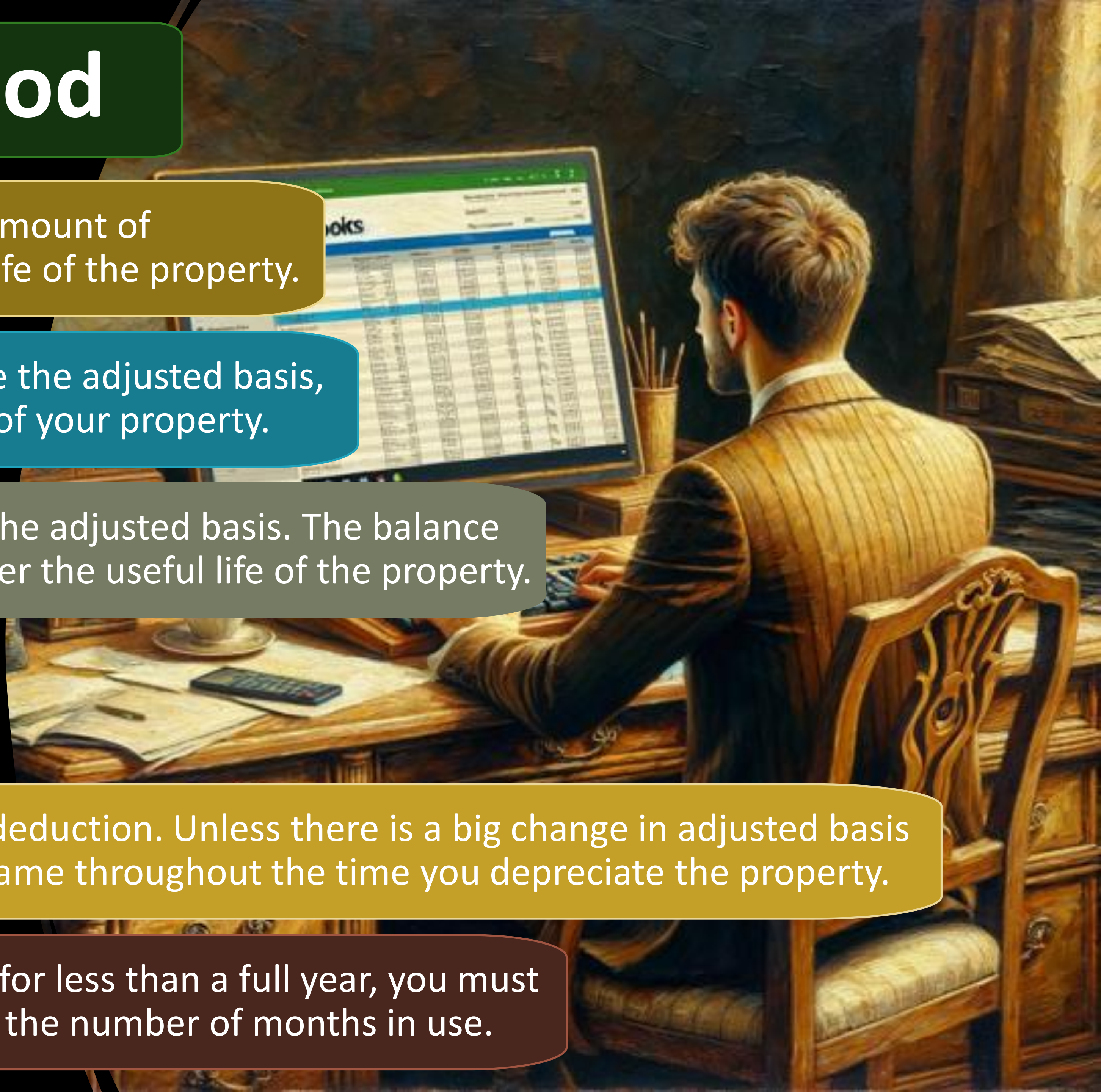
To figure your deduction, first determine the adjusted basis, salvage value, and estimated useful life of your property.

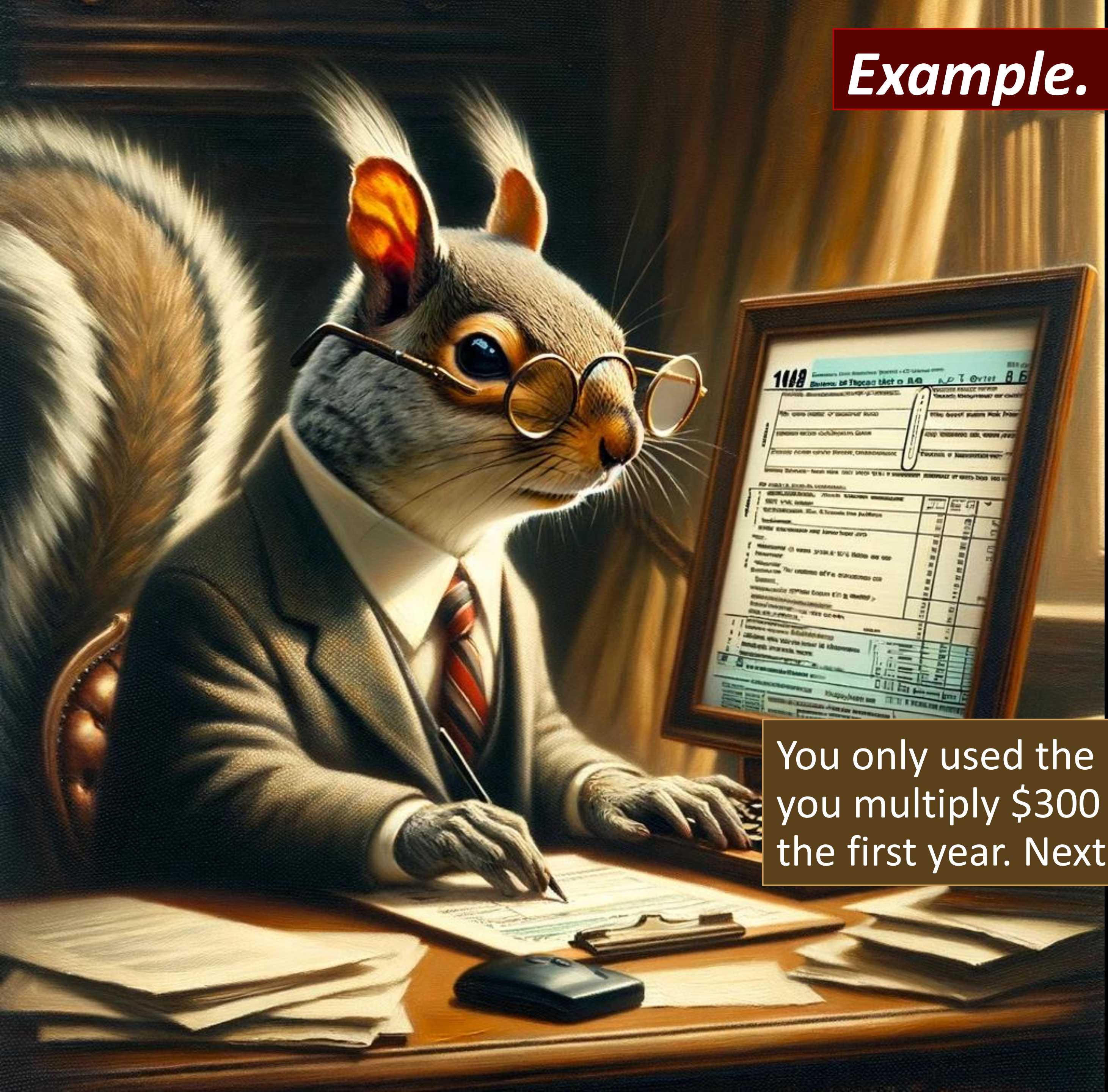
Subtract the salvage value, if any, from the adjusted basis. The balance is the total depreciation you can take over the useful life of the property.

Divide the balance by the number of years in the useful life.

This gives you your yearly depreciation deduction. Unless there is a big change in adjusted basis or useful life, this amount will stay the same throughout the time you depreciate the property.

If, in the first year, you use the property for less than a full year, you must prorate your depreciation deduction for the number of months in use.





Example.

In April, you bought a patent for $5,100 that is not a section 197 intangible. You depreciate the patent under the straight line method, using a 17-year useful life and no salvage value.

You divide the $5,100 basis by 17 years to get your $300 yearly depreciation deduction.

You only used the patent for 9 months during the first year, so you multiply $300 by 9/12 to get your deduction of $225 for the first year. Next year, you can deduct $300 for the full year.

Patents and copyrights.

If you can depreciate the cost of a patent or copyright, use the straight line method over the useful life.

The useful life of a patent or copyright is the lesser of the life granted to it by the government or the remaining life when you acquire it.

However, if the patent or copyright becomes valueless before the end of its useful life, you can deduct in that year any of its remaining cost or other basis.

Computer software.

Computer software is generally a section 197 intangible and cannot be depreciated if you acquired it in connection with the acquisition of assets constituting a business or a substantial part of a business.

However, computer software is not a section 197 intangible and can be depreciated, even if acquired in connection with the acquisition of a business, if it meets all of the following tests.

- It is readily available for purchase by the general public.
- It is subject to a nonexclusive license.
- It has not been substantially modified.

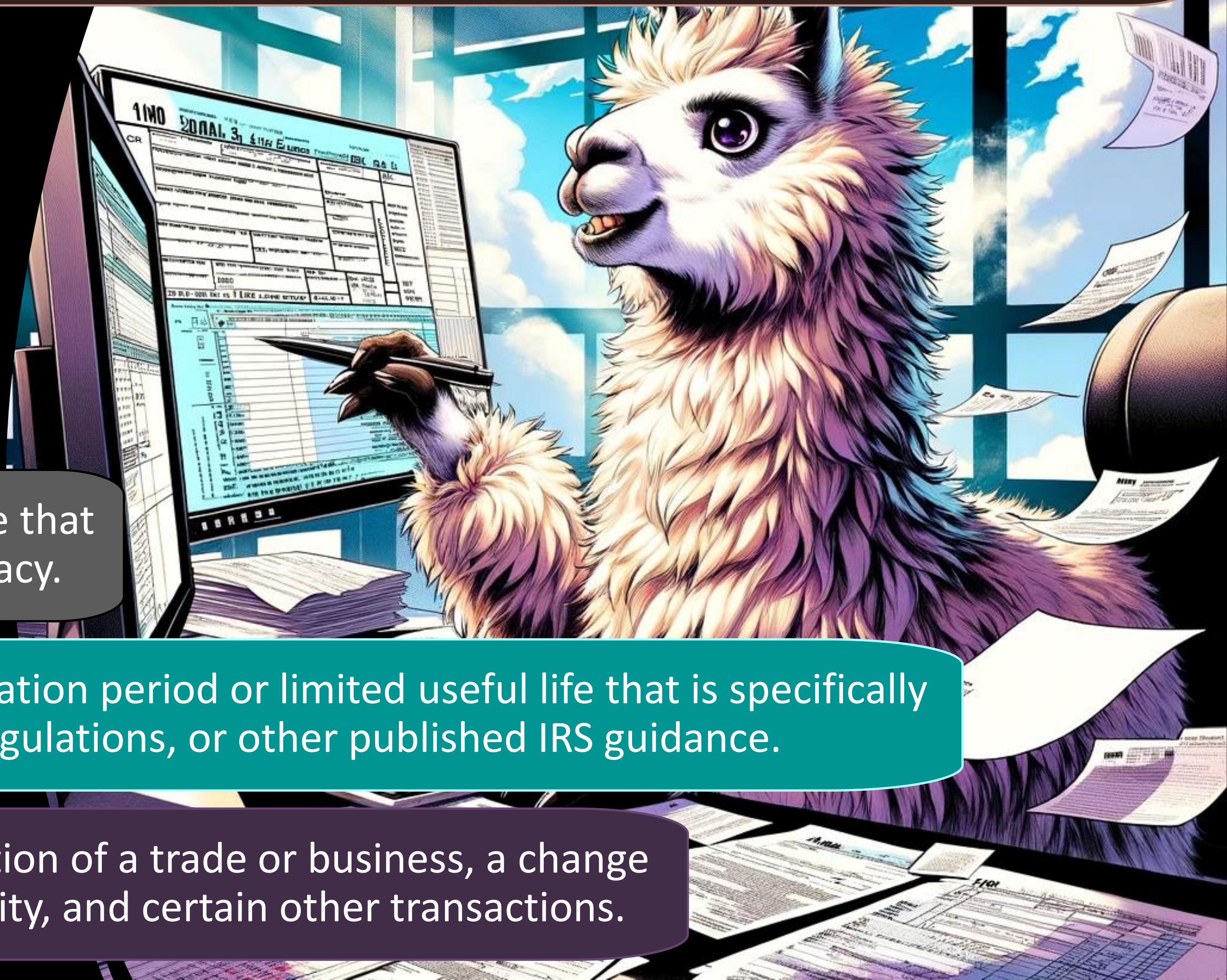
If the software meets the tests above, it may also qualify for the section 179 deduction and the special depreciation allowance, discussed later in chapters 2 and 3.

If you can depreciate the cost of computer software, use the straight line method over a useful life of 36 months.

- The useful life of computer 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), cannot be less than 125% of the lease term.

Tax-exempt use property subject to a lease.

Certain created intangibles. You can amortize certain intangibles created on or after December 31, 2003, over a 15-year period using the straight line method and no salvage value, even though they have a useful life that cannot be estimated with reasonable accuracy. For example, amounts paid to acquire memberships or privileges of indefinite duration, such as a trade association membership, are eligible costs.

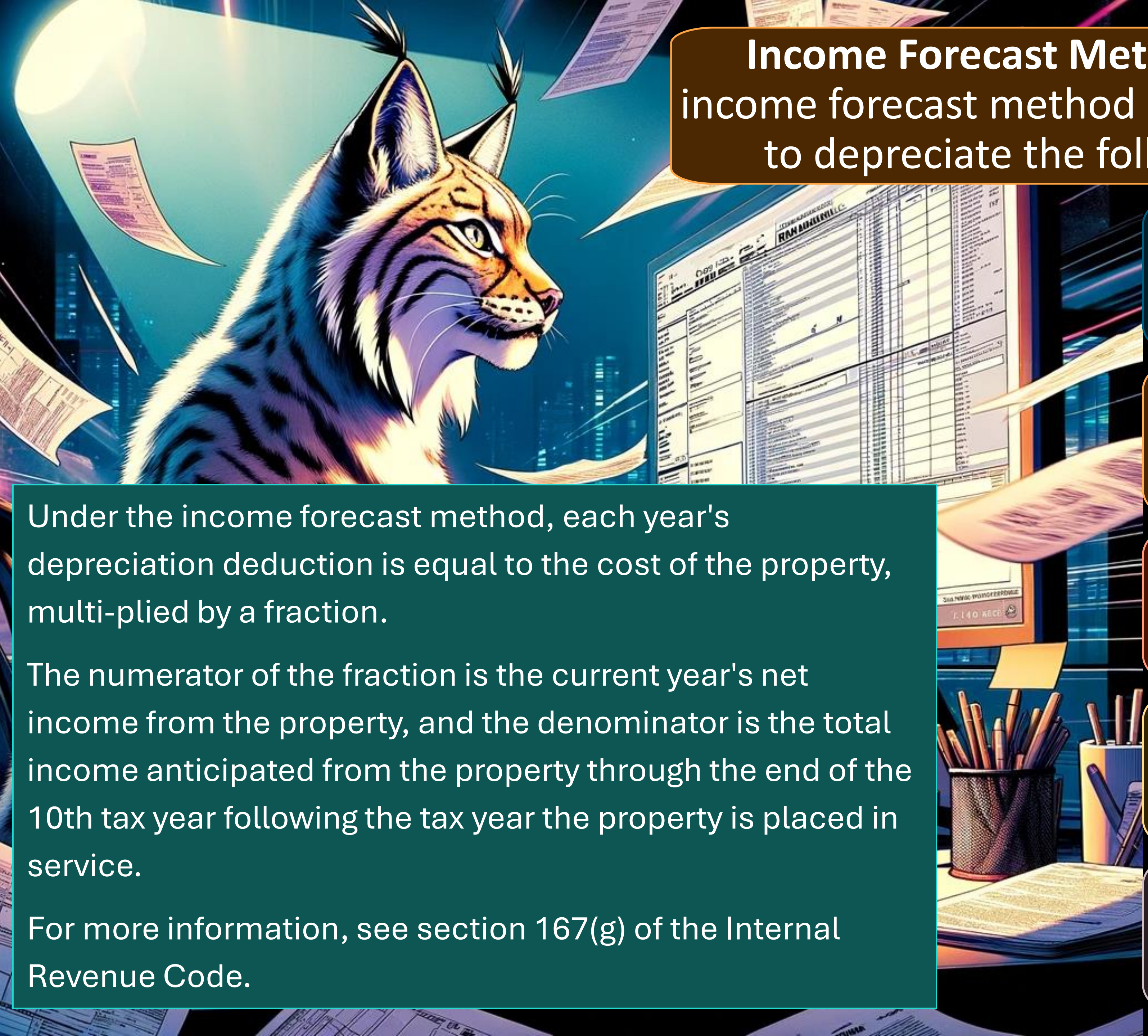


The following are not eligible.

- Any intangible asset acquired from another person.
- Created financial interests.
- Any intangible asset that has a useful life that can be estimated with reasonable accuracy.
- Any intangible asset that has an amortization period or limited useful life that is specifically prescribed or prohibited by the Code, regulations, or other published IRS guidance.
- Any amount paid to facilitate an acquisition of a trade or business, a change in the capital structure of a business entity, and certain other transactions.

You must also increase the 15-year safe harbor amortization period to a 25-year period for certain intangibles related to benefits arising from the provision, production, or improvement of real property.

For this purpose, real property includes property that will remain attached to the real property for an indefinite period of time, such as roads, bridges, tunnels, pavements, and pollution control facilities.



Income Forecast Method - You can choose to use the income forecast method in-stead of the straight line method to depreciate the following depreciable intangibles.

Under the income forecast method, each year's depreciation deduction is equal to the cost of the property, multi-plied by a fraction.

The numerator of the fraction is the current year's net income from the property, and the denominator is the total income anticipated from the property through the end of the 10th tax year following the tax year the property is placed in service.

For more information, see section 167(g) of the Internal Revenue Code.

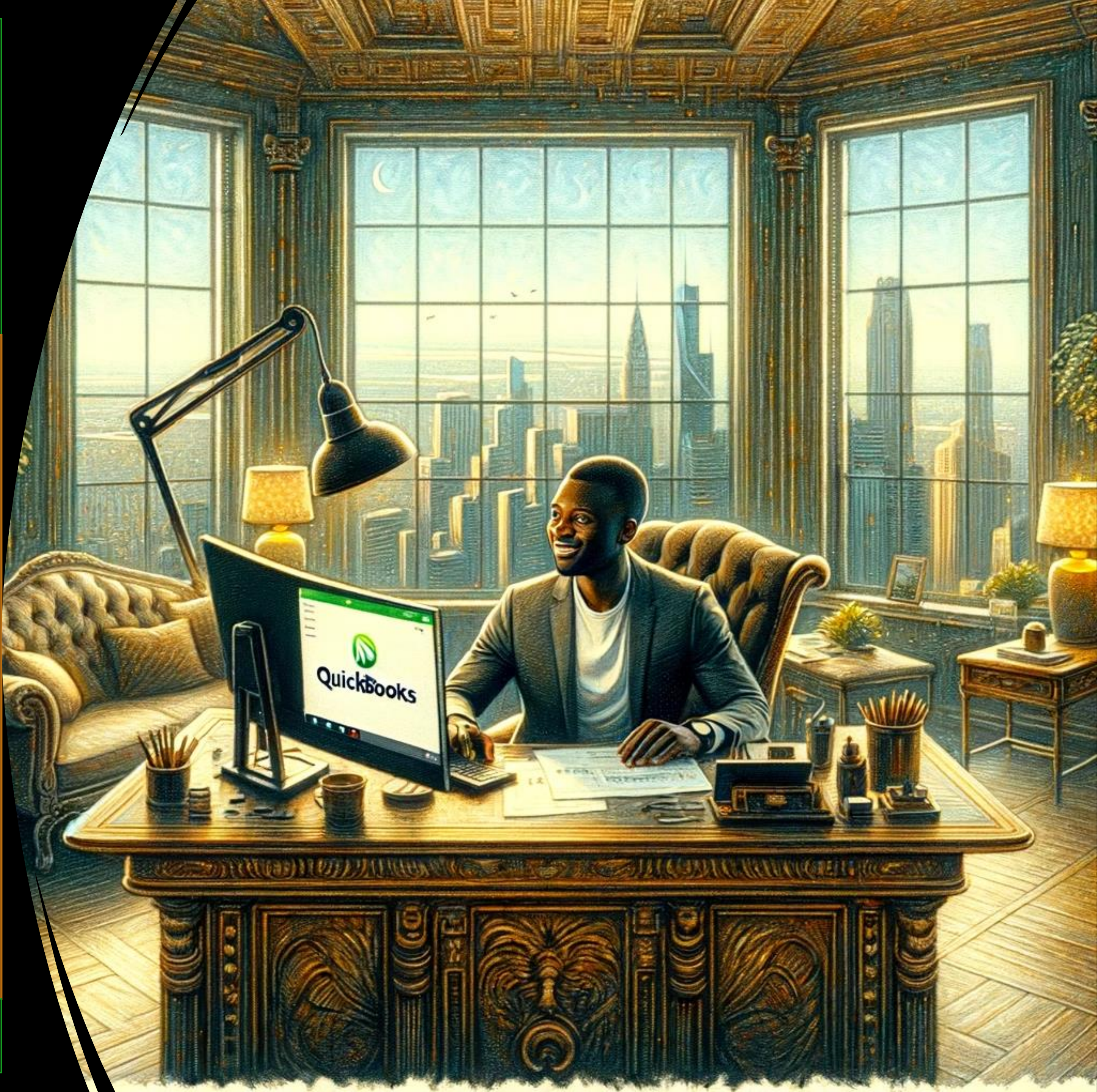
- Motion picture films or videotapes.
- Sound recordings.
- Copyrights.
- Books.
- Patents.

Films, videotapes, and recordings.

You cannot use MACRS for motion picture films, videotapes, and sound recordings.

For this purpose, sound recordings are discs, tapes, or other phonorecordings resulting from the fixation of a series of sounds.

You can depreciate this property using either the straight line method or the income forecast method.



Participations and residuals.

You can include participations and residuals in the adjusted basis of the property for purposes of computing your depreciation deduction under the income forecast method.

The participations and residuals must relate to income to be derived from the property before the end of the 10th tax year after the property is placed in service. For this purpose, participations and residuals are defined as costs, which by contract vary with the amount of income earned in connection with the property.

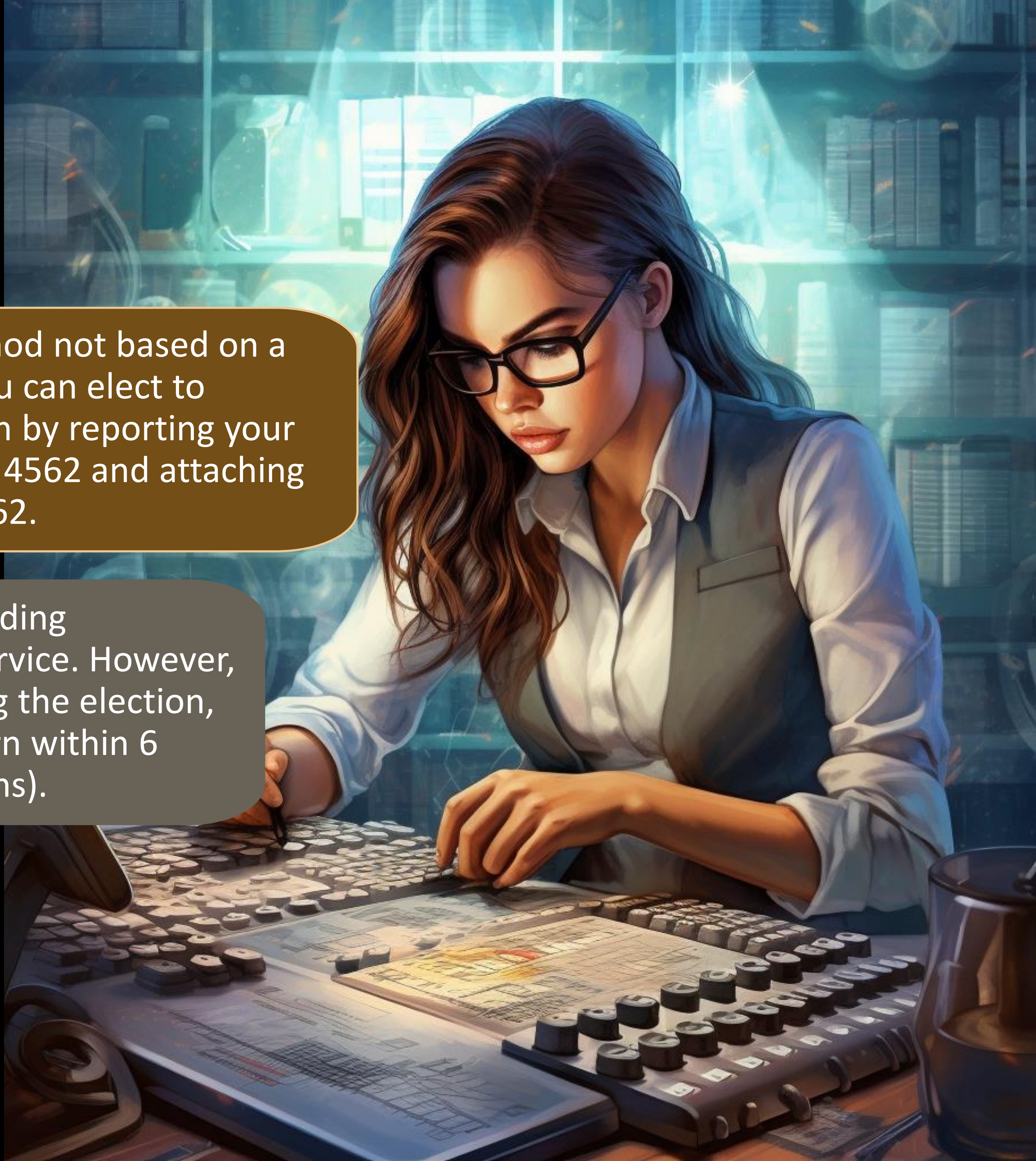
Instead of including these amounts in the adjusted basis of the property, you can deduct the costs in the tax year that they are paid.

Election To Exclude Property From MACRS

If you can properly depreciate any property under a method not based on a term of years, such as the unit-of-production method, you can elect to exclude that property from MACRS. You make the election by reporting your depreciation for the property on line 15 in Part II of Form 4562 and attaching a statement, as described in the Instructions for Form 4562.

You must make this election by the return due date (including extensions) for the tax year you place your property in service. However, if you timely filed your return for the year without making the election, you can still make the election by filing an amended return within 6 months of the due date of the return (excluding extensions).

Attach the election to the amended return and write “Filed pursuant to section 301.9100-2” on the election statement. File the amended return at the same address you filed the original return.



Use of standard mileage rate.

- If you use the standard mileage rate to figure your tax deduction for your business automobile, you are treated as having made an election to exclude the automobile from MACRS.
- See Pub. 463 for a discussion of the standard mileage rate.

Income Tax

2023-2024

Repairs and Improvements

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income **Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.** If you did not get a Form W-2, see instructions.	1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
	b	Household employee wages not reported on Form(s) W-2	1b	
	c	Tip income not reported on line 1a (see instructions)	1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
	e	Taxable dependent care benefits from Form 2441, line 26	1e	
	f	Employer-provided adoption benefits from Form 8839, line 29	1f	
	g	Wages from Form 8919, line 6	1g	
	h	Other earned income (see instructions)	1h	
	i	Nontaxable combat pay election (see instructions) — 1i		
	z	Add lines 1a through 1h	1z	
Attach Sch. B if required.	2a	Tax-exempt interest — 2a — **b** Taxable interest	2b	
	3a	Qualified dividends — 3a — **b** Ordinary dividends	3b	
Standard Deduction for— • Single or Married filing separately, $13,850 • Married filing jointly or Qualifying surviving spouse, $27,700 • Head of household, $20,800 • If you checked any box under *Standard Deduction*, see instructions.	4a	IRA distributions — 4a — **b** Taxable amount	4b	
	5a	Pensions and annuities — 5a — **b** Taxable amount	5b	
	6a	Social security benefits — 6a — **b** Taxable amount	6b	
	c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
	8	Additional income from Schedule 1, line 10	8	
	9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
	10	Adjustments to income from Schedule 1, line 26	10	
	11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
	12	**Standard deduction or itemized deductions** (from Schedule A)	12	
	13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
	14	Add lines 12 and 13	14	
	15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A Principal business or profession, including product or service (see instructions)

B **Enter code from instructions**

C Business name. If no separate business name, leave blank.

D **Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

How Do You Treat Repairs and Improvements?

If you improve depreciable property, you must treat the improvement as separate depreciable property.

Improvement means an addition to or partial replacement of property that is a betterment to the property, restores the property, or adapts it to a new or different use.

See section 1.263(a)-3 of the regulations.

You generally deduct the cost of repairing business property in the same way as any other business expense.

However, if the cost is for a betterment to the property, to restore the property, or to adapt the property to a new or different use, you must treat it as an improvement and depreciate it.

Example.

You repair a small section on one corner of the roof of a rental house. You deduct the cost of the repair as a rental expense.

However, if you completely replace the roof, the new roof is an improvement because it is a restoration of the building. You depreciate the cost of the new roof.

Table 1-1. **Purpose of Form 4562**

This table describes the purpose of the various parts of Form 4562. For more information, see Form 4562 and its instructions.

Part	Purpose
I	• Electing the section 179 deduction • Figuring the maximum section 179 deduction for the current year • Figuring any section 179 deduction carryover to the next year
II	• Reporting the special depreciation allowance for property (other than listed property) placed in service during the tax year • Reporting depreciation deductions on property being depreciated under any method other than MACRS
III	• Reporting MACRS depreciation deductions for property placed in service before this year • Reporting MACRS depreciation deductions for property (other than listed property) placed in service during the current year
IV	• Summarizing other parts
V	• Reporting the special depreciation allowance for automobiles and other listed property • Reporting MACRS depreciation on automobiles and other listed property • Reporting the section 179 cost elected for automobiles and other listed property • Reporting information on the use of automobiles and other transportation vehicles
VI	• Reporting amortization deductions

Income Tax

2023-2024

Electing the Section 179 Deduction Overview

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
4a	IRA distributions	4a	b Taxable amount	4b	
5a	Pensions and annuities	5a	b Taxable amount	5b	
6a	Social security benefits	6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			7	
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			9	
10	Adjustments to income from Schedule 1, line 26			10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**			11	
12	**Standard deduction or itemized deductions** (from Schedule A)			12	
13	Qualified business income deduction from Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**			15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	( )
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	( )
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	

SCHEDULE C (Form 1040)

Department of the Treasury Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor | **Social security number (SSN)**

A Principal business or profession, including product or service (see instructions) | **B Enter code from instructions**

C Business name. If no separate business name, leave blank. | **D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Electing the Section 179 Deduction

You can elect to recover all or part of the cost of certain qualifying property, up to a limit, by deducting it in the year you place the property in service.

This is the section 179 deduction. You can elect the section 179 deduction in-stead of recovering the cost by taking depreciation deductions.

Caution

Estates and trusts cannot elect the section 179 deduction.

Useful Items

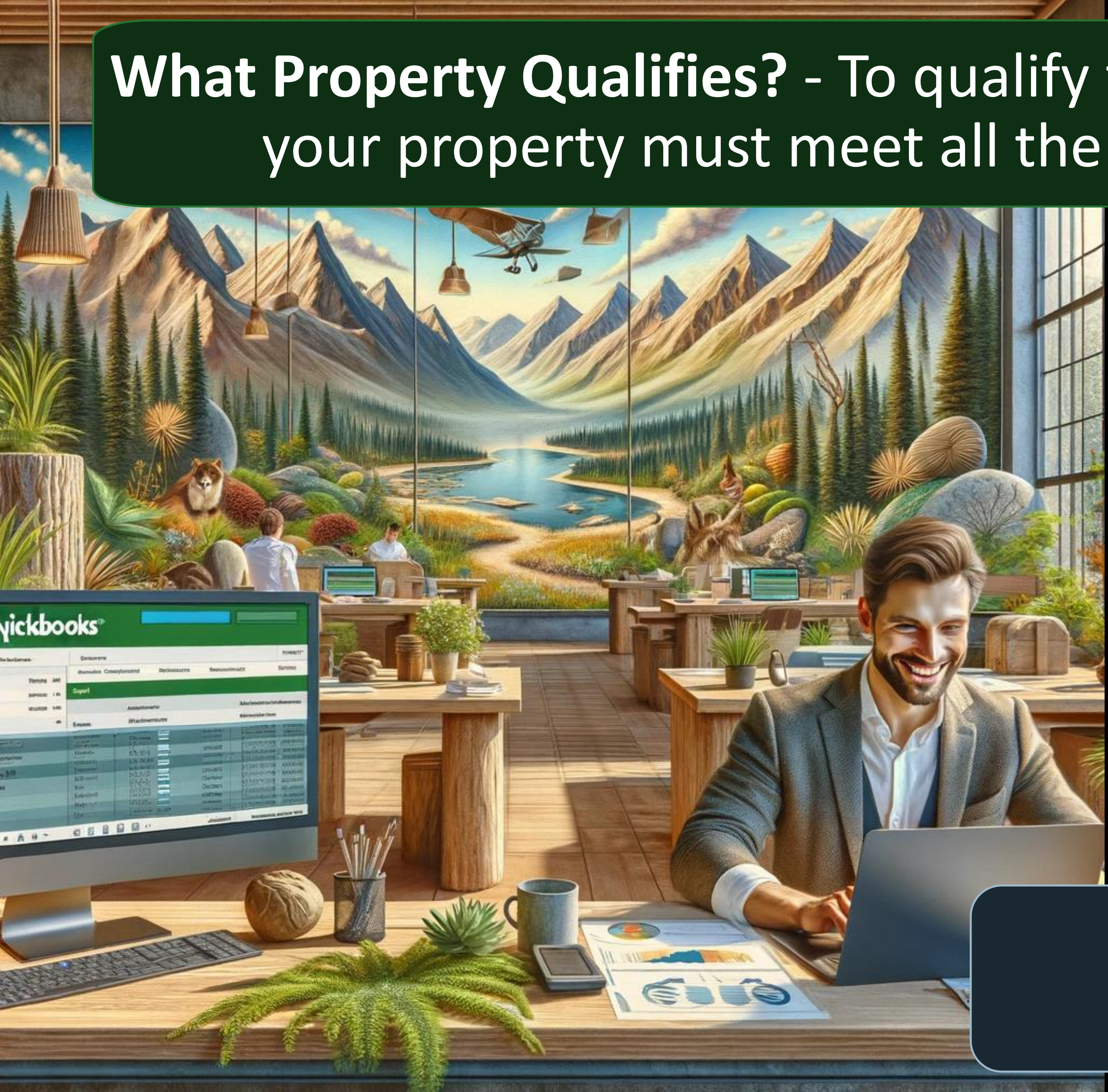
Publication

- 537 Installment Sales
- 544 Sales and Other Dispositions of Assets

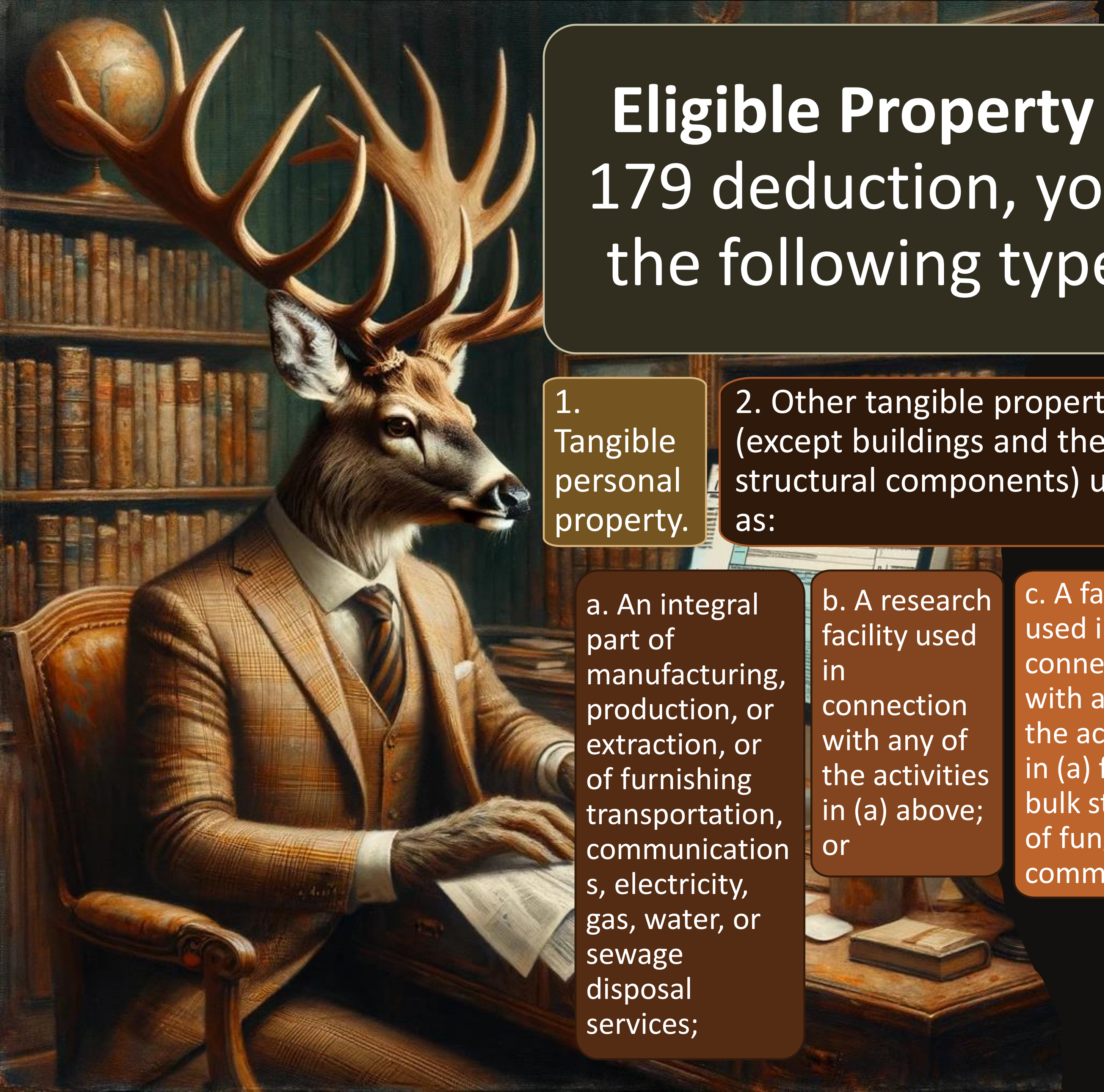
Form (and Instructions)

- 4562 Depreciation and Amortization
- 4797 Sales of Business Property

What Property Qualifies? - To qualify for the section 179 deduction, your property must meet all the following requirements.



- It must be eligible property.
- It must be acquired for business use.
- It must have been acquired by purchase.
- It must not be property described later under *What Property Does Not Qualify*.



Eligible Property - To qualify for the section 179 deduction, your property must be one of the following types of depreciable property.

1. Tangible personal property.

2. Other tangible property (except buildings and their structural components) used as:

   a. An integral part of manufacturing, production, or extraction, or of furnishing transportation, communications, electricity, gas, water, or sewage disposal services;

   b. A research facility used in connection with any of the activities in (a) above; or

   c. A facility used in connection with any of the activities in (a) for the bulk storage of fungible commodities.

3. Single-purpose agricultural (livestock) or horticultural structures. See chapter 7 of Pub. 225 for definitions and information regarding the use requirements that apply to these structures.

4. Storage facilities (except buildings and their structural components) used in connection with distributing petroleum or any primary product of petroleum.

5. Off-the-shelf computer software.

6. Qualified section 179 real property (described below).

Tangible personal property. Tangible personal property is any tangible property that is not real property. It includes the following property.

- Machinery and equipment.
- Property contained in or attached to a building (other than structural components), such as refrigerators, grocery store counters, office equipment, printing presses, testing equipment, and signs.
- Gasoline storage tanks and pumps at retail service stations.
- Livestock, including horses, cattle, hogs, sheep, goats, and mink and other furbearing animals.
- Portable air conditioners or heaters placed in service by you in tax years beginning after 2015.
- Certain property used predominantly to furnish lodging or in connection with the furnishing of lodging (except as provided in section 50(b)(2)).

The treatment of property as tangible personal property for the section 179 deduction is not controlled by its treatment under local law.

For example, property may not be tangible personal property for the deduction even if treated so under local law, and some property (such as fixtures) may be tangible personal property for the deduction even if treated as real property under local law.

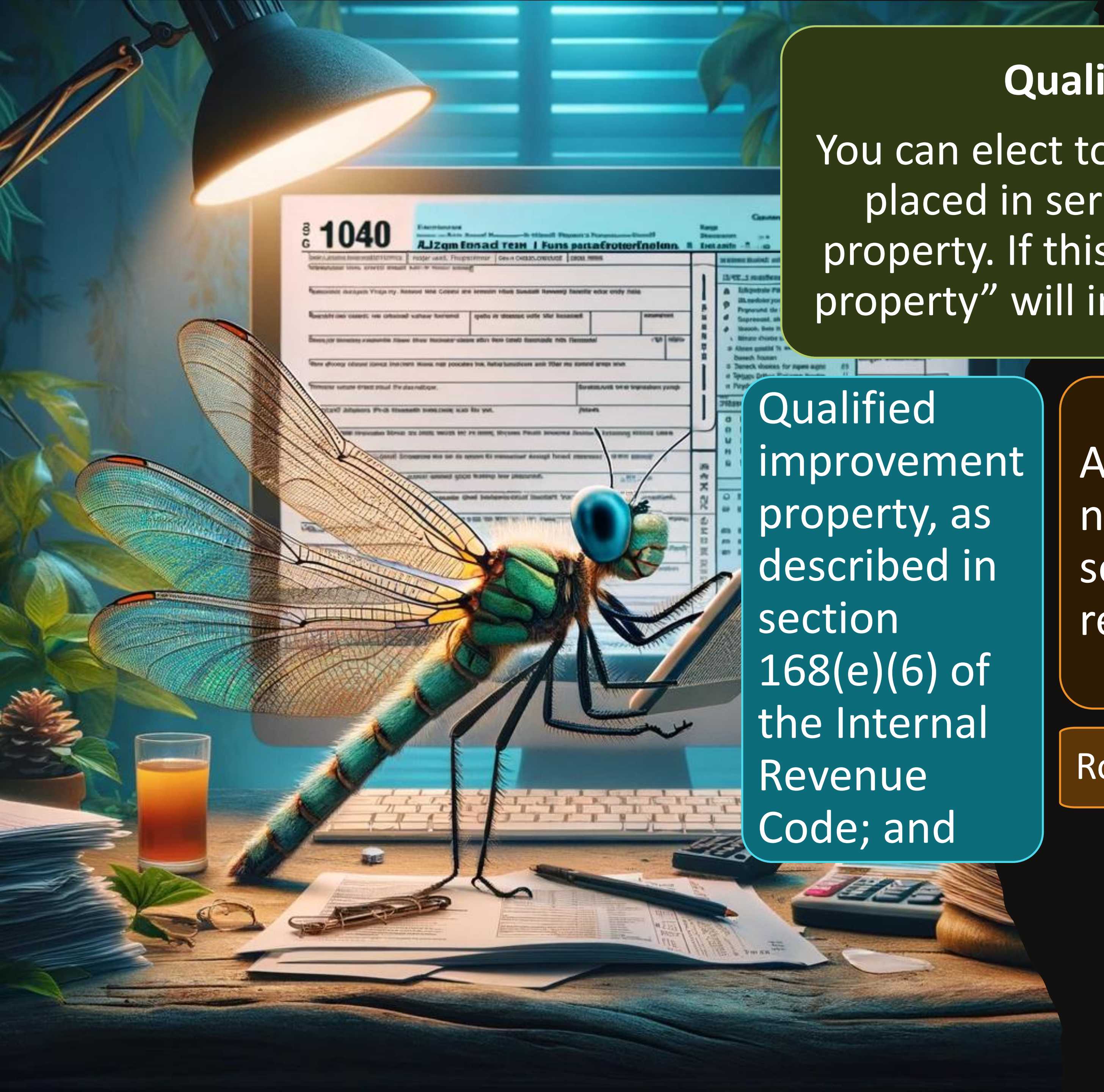
Off-the-shelf computer software.

Off-the-shelf computer software is qualifying property for purposes of the section 179 deduction.

This is computer software that is readily available for purchase by the general public, is subject to a nonexclusive license, and has not been substantially modified.

It includes any program designed to cause a computer to perform a desired function.

However, a database or similar item is not considered computer software unless it is in the public domain and is incidental to the operation of otherwise qualifying software.



Qualified section 179 real property.

You can elect to treat certain qualified real property you placed in service during the tax year as section 179 property. If this election is made, the term “section 179 property” will include any qualified real property that is:

Qualified improvement property, as described in section 168(e)(6) of the Internal Revenue Code; and

Any of the following improvements to nonresidential real property placed in service after the date the non-residential real property was first placed in service.

- Roofs.
- Heating, ventilation, and air-conditioning property.
- Fire protection and alarm systems.
- Security systems.

Qualified improvement property.

- Generally, this is any improvement to an interior portion of a building that is nonresidential real property if the improvement is placed in service after the date the building was first placed in service.
- Also, qualified improvement property does not include the cost of any improvement attributable to the following.

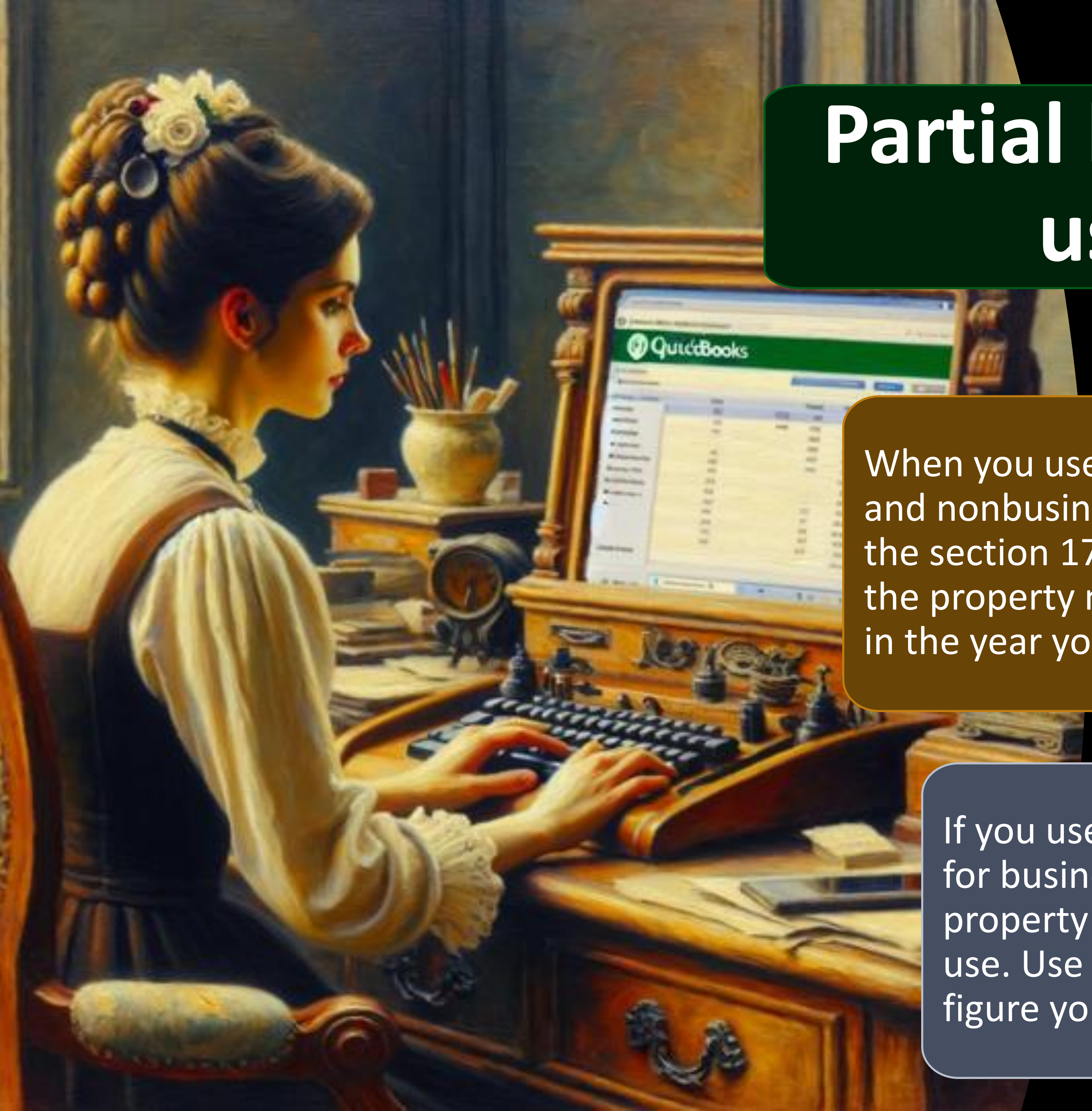
The enlargement of the building.	Any elevator or escalator.	The internal structural framework of the building.

Property Acquired for Business Use

To qualify for the section 179 deduction, your property must have been acquired for use in your trade or business.

Property you acquire only for the production of in-come, such as investment property, rental property (if renting property is not your trade or business), and property that produces royalties, does not qualify.

Partial business use.



When you use property for both business and nonbusiness purposes, you can elect the section 179 deduction only if you use the property more than 50% for business in the year you place it in service.

If you use the property more than 50% for business, multiply the cost of the property by the percentage of business use. Use the resulting business cost to figure your section 179 deduction.

Example.

May Oak bought and placed in service an item of section 179 property costing $11,000.

May used the property 80% for business and 20% for personal purposes. The business part of the cost of the property is $8,800 (80% (0.80) × $11,000).

Property Acquired by Purchase

- To qualify for the section 179 deduction, your property must have been acquired by purchase.
- For example, property acquired by gift or inheritance does not qualify.
- Property is not considered acquired by purchase in the following situations.

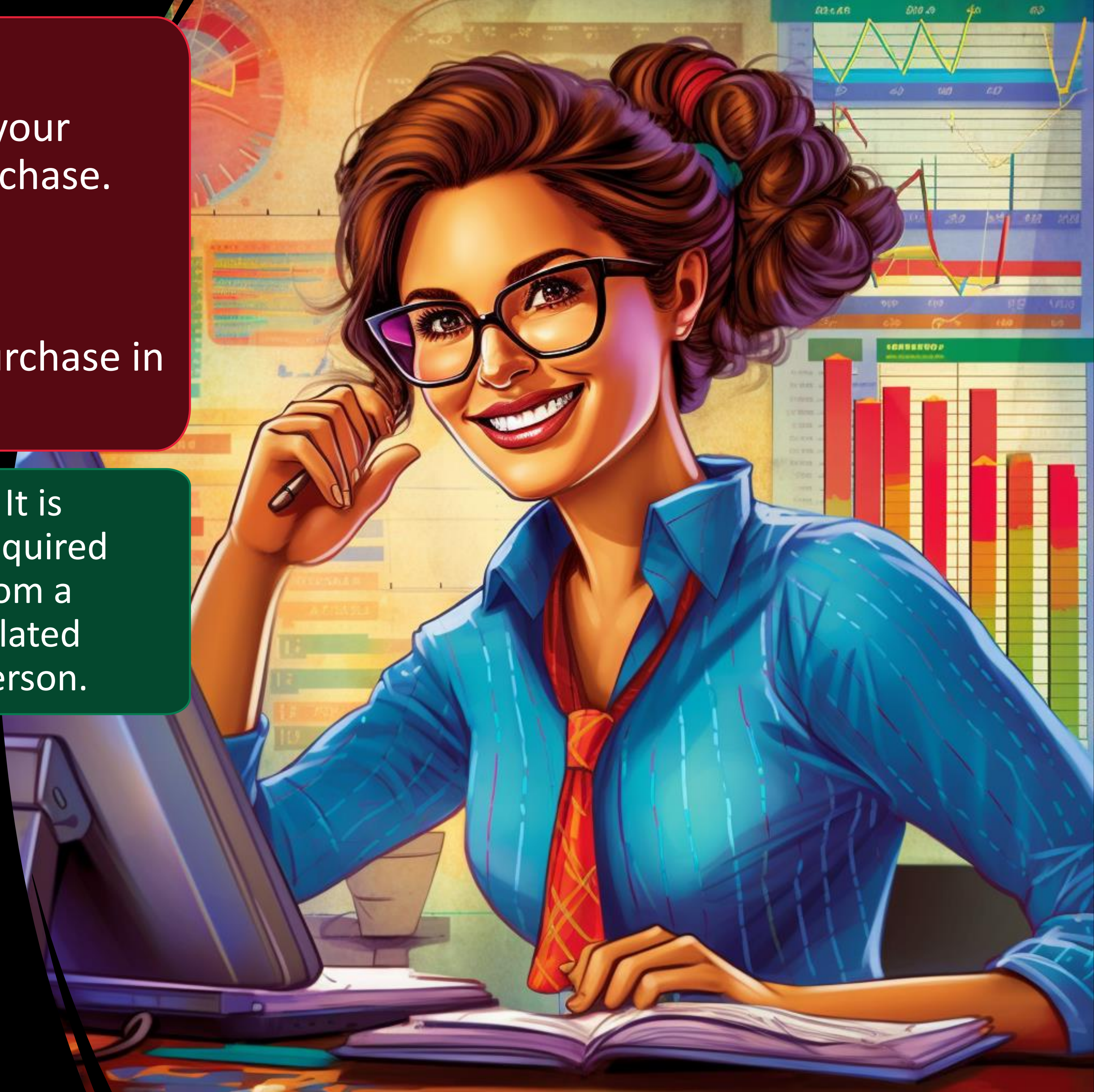
1. It is acquired by one component member of a controlled group from another component member of the same group.

2. Its basis is determined either:

   a. In whole or in part by its adjusted basis in the hands of the person from whom it was acquired, or

   b. Under the stepped-up basis rules for property ac-quired from a decedent.

3. It is acquired from a related person.



Related persons.

- Related persons are described under *Related persons*, earlier.
- However, to determine whether property qualifies for the section 179 deduction, treat as an individual's family only their spouse, ancestors, and lineal descendants and substitute "50%" for "10%" each place it appears.

Example.

You are a tailor. You bought two industrial sewing machines from your father. You placed both machines in service in the same year you bought them.

They do not qualify as section 179 property because you and your father are related persons. You cannot claim a section 179 deduction for the cost of these machines.

What Property Does Not Qualify?

Land and Improvements

Excepted Property

Land and Improvements

- Land and land improvements do not qualify as section 179 property.
- Land improvements include swimming pools, paved parking areas, wharves, docks, bridges, and fences.

Excepted Property - Even if the requirements explained earlier under *What Property Qualifies?* are met, you cannot elect the section 179 deduction for the following property.

- Certain property you lease to others (if you are a non-corporate lessor).
- Property used predominantly outside the United States, except property described in section 168(g)(4) of the Internal Revenue Code.
- Property used by certain tax-exempt organizations, except property used in connection with the production of income subject to the tax on unrelated trade or business income.
- Property used by governmental units or foreign persons or entities, except property used under a lease with a term of less than 6 months.

Leased property. Generally, you cannot claim a section 179 deduction based on the cost of property you lease to someone else. This rule does not apply to corporations. However, you can claim a section 179 deduction for the cost of the following property.

1. Property you manufacture or produce and lease to others.

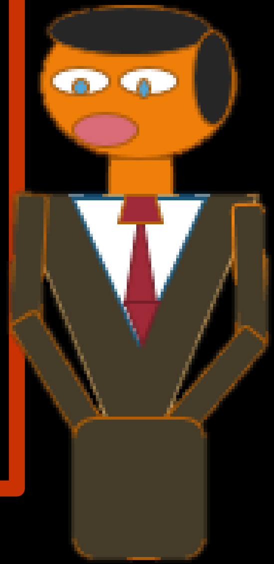
2. Property you purchase and lease to others if both the following tests are met.

a. The term of the lease (including options to renew) is less than 50% of the property's class life.

b. For the first 12 months after the property is trans-ferred to the lessee, the total business deductions you are allowed on the property (other than rents and reimbursed amounts) are more than 15% of the rental income from the property.

Income Tax
2023-2024

Electing the Section 179 How Much Can You Deduct?



Publication 946

Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a
b	Household employee wages not reported on Form(s) W-2			1b
c	Tip income not reported on line 1a (see instructions)			1c
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d
e	Taxable dependent care benefits from Form 2441, line 26			1e
f	Employer-provided adoption benefits from Form 8839, line 29			1f
g	Wages from Form 8919, line 6			1g
h	Other earned income (see instructions)			1h
i	Nontaxable combat pay election (see instructions)	1i		
z	Add lines 1a through 1h			1z

Attach Sch. B if required.

2a	Tax-exempt interest	2a	b	Taxable interest	2b
3a	Qualified dividends	3a	b	Ordinary dividends	3b
4a	IRA distributions	4a	b	Taxable amount	4b
5a	Pensions and annuities	5a	b	Taxable amount	5b
6a	Social security benefits	6a	b	Taxable amount	6b

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7
8	Additional income from Schedule 1, line 10	8
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9
10	Adjustments to income from Schedule 1, line 26	10
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11
12	**Standard deduction or itemized deductions** (from Schedule A)	12
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12 and 13	14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	**1**	
2a	Alimony received	**2a**	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	**3**	
4	Other gains or (losses). Attach Form 4797	**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .	**5**	
6	Farm income or (loss). Attach Schedule F	**6**	
7	Unemployment compensation	**7**	
8	Other income:		
a	Net operating loss . . . . **8a** ( )		
b	Gambling **8b**		
c	Cancellation of debt **8c**		
d	Foreign earned income exclusion from Form 2555 . . . . **8d** ( )		
e	Income from Form 8853 . . . . **8e**		
f	Income from Form 8889 . . . . **8f**		
g	Alaska Permanent Fund dividends **8g**		
h	Jury duty pay **8h**		

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

How Much Can You Deduct?

Your section 179 deduction is generally the cost of the qualifying property. However, the total amount you can elect to deduct under section 179 is subject to a dollar limit and a business income limit.

These limits apply to each taxpayer, not to each business. However, see *Married Individuals* under *Dollar Limits*, later. For a passenger automobile, the total section 179 deduction and depreciation deduction are limited.

See *Do the Passenger Automobile Limits Apply?* in chapter 5.

If you deduct only part of the cost of qualifying property as a section 179 deduction, you can generally depreciate the cost you do not deduct.

Trade-in of other property.

- If you buy qualifying property with cash and a trade-in, its cost, for purposes of the section 179 deduction, includes only the cash you paid.

Example.

Silver Leaf, a retail bakery, traded in two ovens having a total adjusted basis of $680, for a new oven costing $1,320. They received an $800 trade-in allowance for the old ovens and paid $520 in cash for the new oven.

On the date that Silver Leaf traded in the two old ovens for the new oven, the old ovens and the new oven are classified as real property under the law of the state in which the old and new ovens are located and, as a result, the old and new ovens are real property for purposes of section 1031. The new oven is section 179 property.

Only the portion of the new oven's basis paid by cash qualifies for the section 179 deduction. Therefore, Silver Leaf's qualifying cost for the section 179 deduction is $520.

Dollar Limits

The total amount you can elect to deduct under section 179 for most property placed in service in tax years beginning in 2023 generally cannot be more than $1,160,000.

If you acquire and place in service more than one item of qualifying property during the year, you can allocate the section 179 deduction among the items in any way, as long as the total deduction is not more than $1,160,000. You do not have to claim the full $1,160,000.

Tip

- *The amount you can elect to deduct is not affected if you place qualifying property in service in a short tax year or if you place qualifying property in service for only a part of a 12-month tax year.*

Caution

- *After you apply the dollar limit to determine a tentative deduction, you must apply the business income limit (described later) to determine your actual section 179 deduction.*

Example.

In 2023, you bought and placed in service $1,160,000 in machinery and a $25,000 circular saw for your business. You elect to deduct $1,135,000 for the machinery and the entire $25,000 for the saw, a total of $1,160,000.

This is the maximum amount you can deduct. Your $25,000 deduction for the saw completely recovered its cost. Your basis for depreciation is zero.

The basis for depreciation of your machinery is $25,000. You figure this by subtracting your $1,135,000 section 179 deduction for the machinery from the $1,160,000 cost of the machinery.

Situations affecting dollar limit. Under certain circum-stances, the general dollar limits on the section 179 de-duction may be reduced or increased or there may be additional dollar limits. The general dollar limit is affected by any of the following situations.

The cost of your section 179 property placed in service exceeds $2,890,000.	You placed in service a sport utility or certain other vehicles.	You are married filing a joint or separate return.

Costs Exceeding $2,890,000

If the cost of your qualifying section 179 property placed in service in a year is more than $2,890,000, you must generally reduce the dollar limit (but not below zero) by the amount of cost over $2,890,000.

If the cost of your section 179 property placed in service during 2023 is $4,050,000 or more, you cannot take a section 179 deduction.

Example.

In 2023, Jane Ash placed in service machinery costing $2,940,000.

This cost is $50,000 more than $2,890,000, so Jane must reduce the dollar limit to $1,110,000 ($1,160,000 – $50,000).

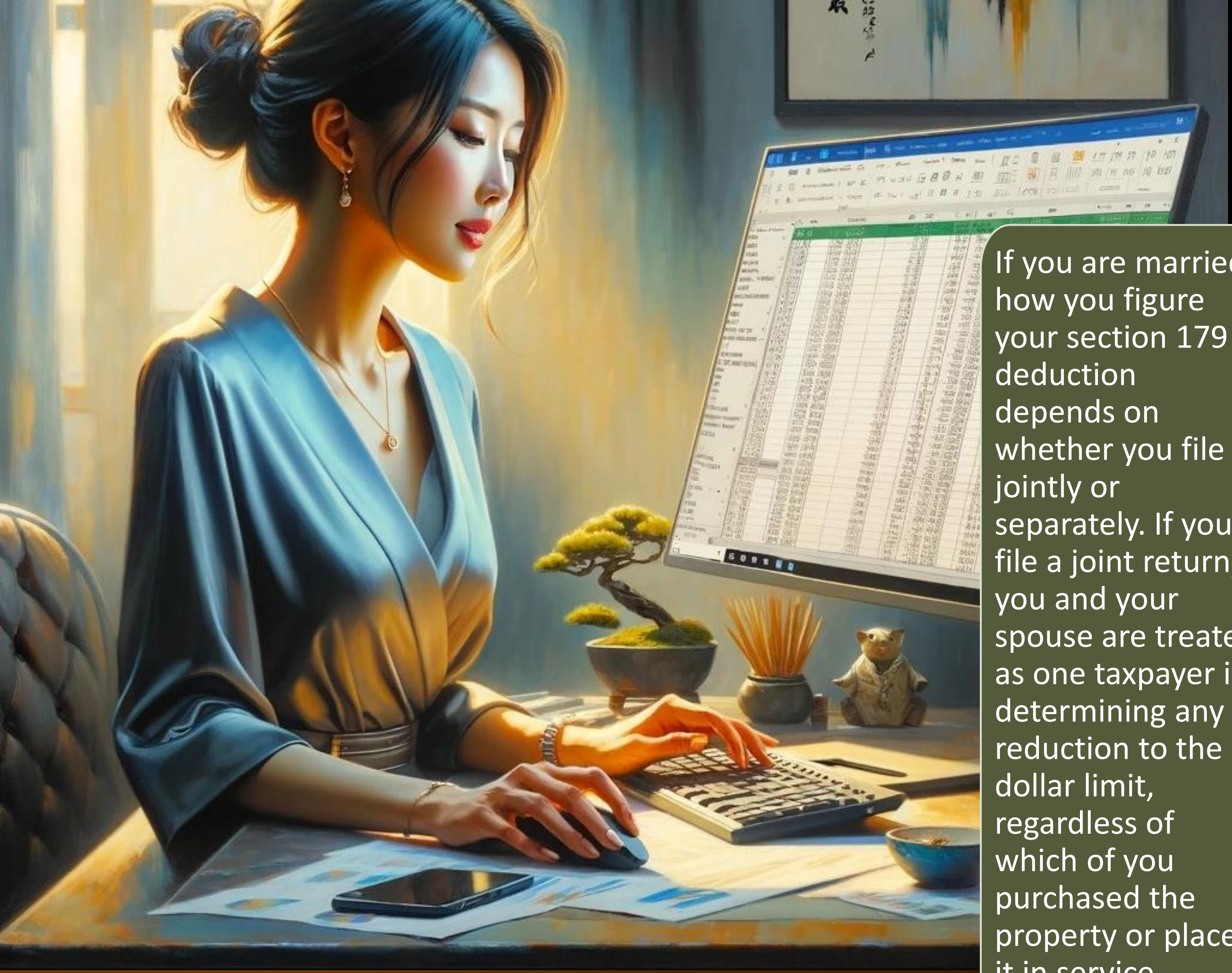
Sport Utility and Certain Other Vehicles –

- You cannot elect to expense more than $28,900 of the cost of any heavy sport utility vehicle (SUV) and certain other vehicles placed in service in tax years beginning in 2023.
- 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 $28,900 limit does not apply to any vehicle:

Designed to seat more than nine passengers behind the driver's seat;

Equipped with a cargo area (either open or enclosed by a cap) of at least 6 feet in interior length that is not readily accessible 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.



Married Individuals

If you are married, how you figure your section 179 deduction depends on whether you file jointly or separately. If you file a joint return, you and your spouse are treated as one taxpayer in determining any reduction to the dollar limit, regardless of which of you purchased the property or placed it in service.

If you and your spouse file separate returns, you are treated as one taxpayer for the dollar limit, including the reduction for costs over $2,890,000. You must allocate the dollar limit (after any reduction) between you equally, unless you both elect a different allocation.

If the percentages elected by each of you do not total 100%, 50% will be allocated to each of you.

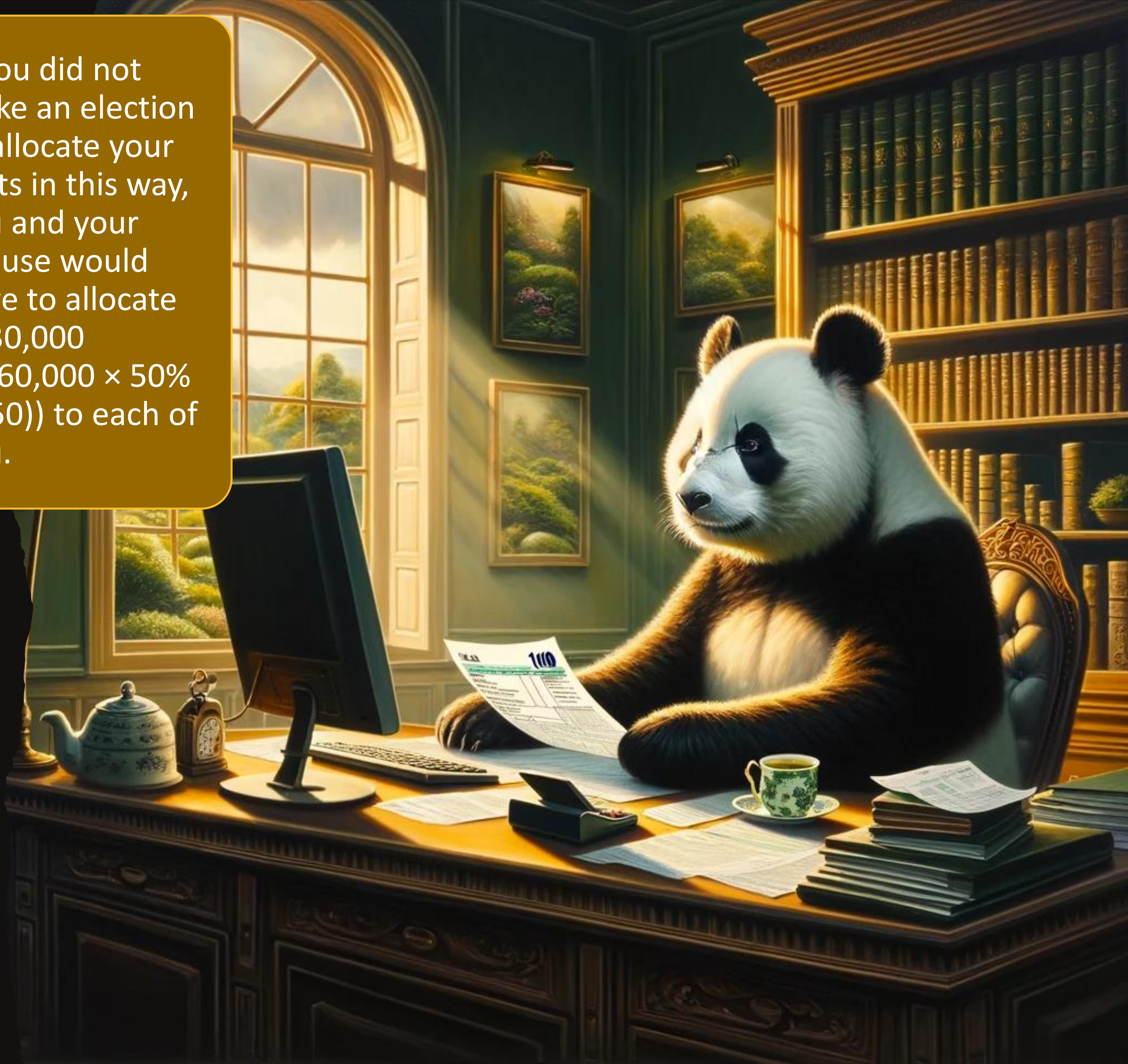
Example.

- You are married. You and your spouse file separate returns. You bought and placed in service $2,890,000 of qualified farm machinery in 2023.
- Your spouse has a separate business, and bought and placed in service $300,000 of qualified business equipment. Your combined dollar limit is $860,000.
- This is because you and your spouse must figure the limit as if you were one taxpayer. You reduce the $1,160,000 dollar limit by the $300,000 excess of your costs over $2,890,000.
- You elect to allocate the $860,000 dollar limit as follows.

$817,000 ($860,000 x 95% (0.95)) to your machinery.

$43,000 ($860,000 x 5% (0.05)) to your spouse’s equipment.

If you did not make an election to allocate your costs in this way, you and your spouse would have to allocate $430,000 ($860,000 × 50% (0.50)) to each of you.



Joint return after filing separate returns. If you and your spouse elect to amend your separate returns by filing a joint return after the due date for filing your return, the dollar limit on the joint return is the lesser of the following amounts.

The dollar limit (after reduction for any cost of section 179 property over $2,890,000).	The total cost of section 179 property you and your spouse elected to expense on your separate returns.

Example.

- The facts are the same as in the previous example, except that you elected to deduct $300,000 of the cost of section 179 property on your separate return and your spouse elected to deduct $20,000.
- After the due date of your returns, you and your spouse file a joint re-turn. The dollar limit for the section 179 deduction is $320,000. This is the lesser of the following amounts.

$860,000—The dollar limit less the cost of section 179 property over $2,890,000.

$320,000—The total you and your spouse elected to expense on your separate returns.

Business Income Limit

The total cost you can deduct each year after you apply the dollar limit is limited to the taxable income from the active conduct of any trade or business during the year. Generally, you are considered to actively conduct a trade or business if you meaningfully participate in the management or operations of the trade or business.

Any cost not deductible in 1 year under section 179 because of this limit can be carried to the next year. Special rules apply to a deduction of qualified section 179 real property that is placed in service by you in tax years beginning before 2016 and disallowed because of the business income limit. See *Special rules for qualified section 179 real property* under *Carryover of disallowed deduction*, later.

Taxable income. In general, figure taxable income for this purpose by totaling the net income and losses from all trades and businesses you actively conducted during the year. Net income or loss from a trade or business includes the following items.

Section 1231 gains (or losses)

Interest from working capital of your trade or business.

Wages, salaries, tips, or other pay earned as an employee.

For information about section 1231 gains and losses, see chapter 3 of Pub. 544.In addition, figure taxable income without regard to any of the following.

- The section 179 deduction.
- The self-employment tax deduction.
- Any net operating loss carryback or carryforward.
- Any unreimbursed employee business expenses.

Two different taxable income limits.

In addition to the business income limit for your section 179 deduction, you may have a taxable income limit for some other deduction.

You may have to figure the limit for this other deduction taking into account the section 179 deduction. If so, complete the following steps.

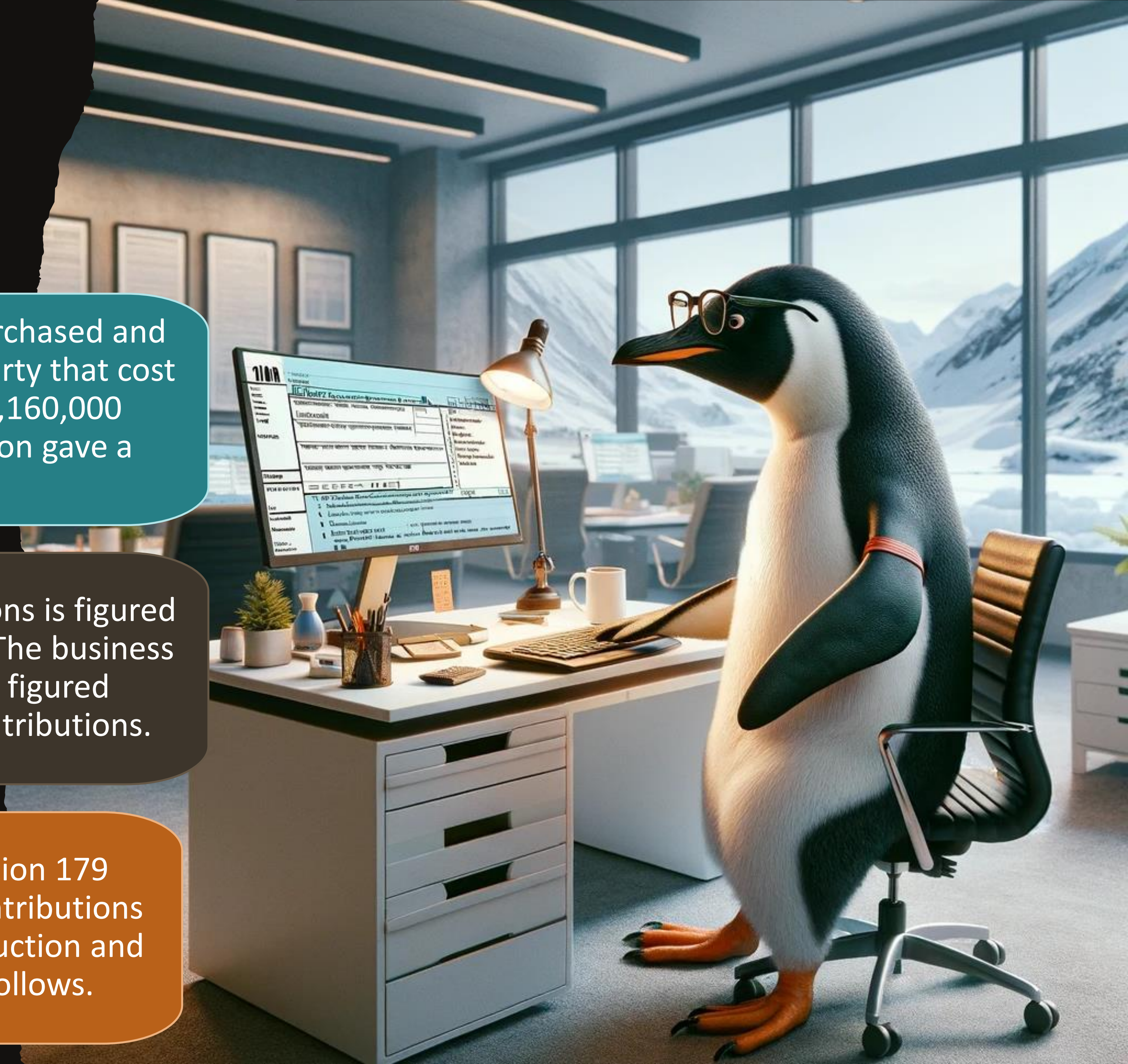
Step	Action
1.	Figure taxable income without the section 179 deduction or the other deduction.
2.	Figure a hypothetical section 179 deduction using the taxable income figured in Step 1.
3.	Subtract the hypothetical section 179 deduction figured in Step 2 from the taxable income figured in Step 1.
4.	Figure a hypothetical amount for the other deduction using the amount figured in Step 3 as taxable income.
5.	Subtract the hypothetical other deduction figured in Step 4 from the taxable income figured in Step 1.
6.	Figure your actual section 179 deduction using the taxable income figured in Step 5.
7.	Subtract your actual section 179 deduction figured in Step 6 from the taxable income figured in Step 1.
8.	Figure your actual other deduction using the taxable income figured in Step 7.

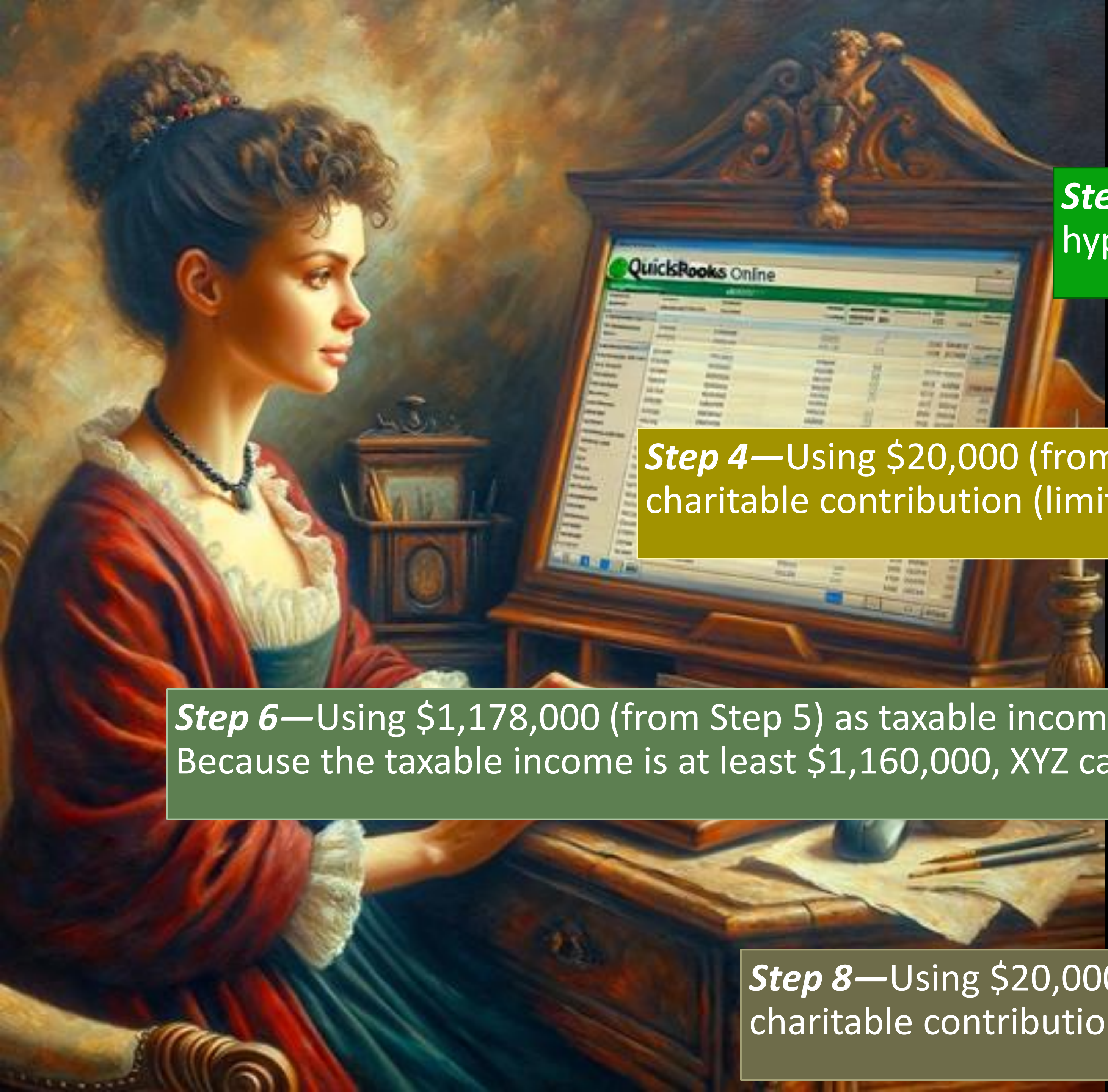
Example.

On February 1, 2023, the XYZ Corporation purchased and placed in service qualifying section 179 property that cost $1,160,000. It elects to expense the entire $1,160,000 cost under section 179. In June, the corporation gave a charitable contribution of $10,000.

A corporation's limit on charitable contributions is figured after subtracting any section 179 deduction. The business in-come limit for the section 179 deduction is figured after subtracting any allowable charitable contributions.

XYZ's taxable income figured without the section 179 deduction or the deduction for charitable contributions is $1,180,000. XYZ figures its section 179 deduction and its deduction for charitable contributions as follows.





Step 1—Taxable income figured without either deduction is $1,180,000.

Step 2—Using $1,180,000 as taxable income, XYZ's hypothetical section 179 deduction is $1,160,000.

Step 3—$20,000 ($1,180,000 − $1,160,000).

Step 4—Using $20,000 (from Step 3) as taxable in-come, XYZ's hypothetical charitable contribution (limited to 10% of taxable income) is $2,000.

Step 5—$1,178,000 ($1,180,000 − $2,000).

Step 6—Using $1,178,000 (from Step 5) as taxable income, XYZ figures the actual section 179 deduction. Because the taxable income is at least $1,160,000, XYZ can take a $1,160,000 section 179 deduction.

Step 7—$20,000 ($1,180,000 − $1,160,000).

Step 8—Using $20,000 (from Step 7) as taxable in-come, XYZ's actual charitable contribution (limited to 10% of taxable income) is $2,000.

Carryover of disallowed deduction.

You can carry over for an unlimited number of years the cost of any qualified section 179 real property that you placed in service in tax years beginning after 2015, and that you elected to expense, but were unable to deduct because of the business income limitation.

This disallowed deduction amount is shown on line 13 of Form 4562. You use the amount you carry over to determine your section 179 deduction in the next year. Enter that amount on line 10 of your Form 4562 for the next year.

If you place more than one property in service in a year, you can select the properties for which all or a part of the costs will be carried forward. Your selections must be shown in your books and records.

For this purpose, treat section 179 costs allocated from a partnership or an S corporation as one item of section 179 property. If you do not make a selection, the total carryover will be allocated equally among the properties you elected to expense for the year.

If costs from more than 1 year are carried forward to a subsequent year in which only part of the total carryover can be deducted, you must deduct the costs being carried forward from the earliest year first.

Special rules for qualified section 179 real property.

You can carry over to 2024 a 2023 deduction attributable to qualified section 179 real property that you placed in service during the tax year and that you elected to expense but were unable to take because of the business income limitation.

See *Carryover of disallowed de-duction*, earlier. Thus, the amount of any 2023 disallowed section 179 expense deduction attributable to qualified section 179 real property will be reported on line 13 of Form 4562.

Partnerships and Partners

The section 179 deduction limits apply both to the partnership and to each partner. The partnership determines its section 179 deduction subject to the limits. It then allocates the deduction among its partners.

Each partner adds the amount allocated from partnerships (shown on Schedule K-1 (Form 1065), Partner's Share of Income, Deductions, Credits, etc.) to their non-partnership section 179 costs and then applies the dollar limit to this total. To determine any reduction in the dollar limit for costs over $2,890,000, the partner does not include any of the cost of section 179 property placed in service by the partnership.

After the dollar limit (reduced for any non-partnership section 179 costs over $2,890,000) is applied, any remaining cost of the partnership and non-partnership section 179 property is subject to the business income limit.

Partnership's taxable income.

For purposes of the business income limit, figure the partnership's taxable in-come by adding together the net income and losses from all trades or businesses actively conducted by the partner-ship during the year.

See the Instructions for Form 1065 for information on how to figure partnership net income (or loss). However, figure taxable income without regard to credits, tax-exempt income, the section 179 deduction, and guaranteed payments under section 707(c) of the In-ternal Revenue Code.

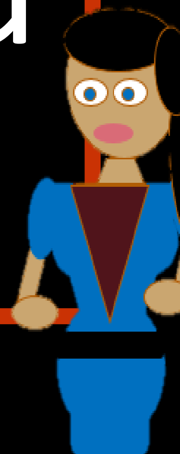
Partner's share of partnership's taxable income.

- For purposes of the business income limit, the taxable income of a partner engaged in the active conduct of one or more of a partnership's trades or businesses includes their allocable share of taxable income derived from the partner-ship's active conduct of any trade or business.

Income Tax

2023-2024

Electing the Section 179 Deduction-How Do You Elect the Deduction?



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For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)				1a	
b	Household employee wages not reported on Form(s) W-2				1b	
c	Tip income not reported on line 1a (see instructions)				1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)				1d	
e	Taxable dependent care benefits from Form 2441, line 26				1e	
f	Employer-provided adoption benefits from Form 8839, line 29				1f	
g	Wages from Form 8919, line 6				1g	
h	Other earned income (see instructions)				1h	
i	Nontaxable combat pay election (see instructions)	1i				
z	Add lines 1a through 1h				1z	
2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRA distributions	4a		b Taxable amount	4b	
5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐					
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐				7	
8	Additional income from Schedule 1, line 10				8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**				9	
10	Adjustments to income from Schedule 1, line 26				10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**				11	
12	**Standard deduction or itemized deductions** (from Schedule A)				12	
13	Qualified business income deduction from Form 8995 or Form 8995-A				13	
14	Add lines 12 and 13				14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**				15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			

SCHEDULE C
(Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor

Social security number (SSN)

A Principal business or profession, including product or service (see instructions)

B **Enter code from instructions**

C Business name. If no separate business name, leave blank.

D **Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

How Do You Elect the Deduction?

- **Election.** You elect to take the section 179 deduction by completing Part I of Form 4562.

Caution

- *If you elect the deduction for listed property (de-scribed in chapter 5), complete Part V of Form 4562 before completing Part I.*

For property placed in service in 2023, file Form 4562 with either of the following.

Your original 2023 tax return, whether or not you file it timely.

An amended return for 2023 filed within the time pre-scribed by law. An election made on an amended re-turn 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.

Election for qualified section 179 real property.

You can elect to expense certain qualified real property that you placed in service as section 179 property for tax years beginning in 2023. For more information, see *Election* above.

Also, see Revenue Procedure 2019-8 on page 347 of Internal Revenue Bulletin 2019-3, available at *IRS.gov/irb/2019-03_IRB#RP-2019-08*.

Revoking an election.

An election (or any specification made in the election) to take a section 179 deduction for 2023 can be revoked without IRS approval by filing an amended return.

The amended return must be filed within the time prescribed by law. The amended return must also include any resulting adjustments to taxable income. Once made, the revocation is irrevocable.

Income Tax

2023-2024

Electing the Section 179 Deduction - When Must You Recapture the Deduction?

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	<u>Adjustments to Income</u>
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	<u>Itemized Deduction</u>
=	Taxable Income
x	<u>Tax Rates (Tax Tables)</u>
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	<u>Tax Payments & Refundable Credits</u>
=	<u>Tax Refund or Tax Due</u>

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)				1a	
b	Household employee wages not reported on Form(s) W-2				1b	
c	Tip income not reported on line 1a (see instructions)				1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)				1d	
e	Taxable dependent care benefits from Form 2441, line 26				1e	
f	Employer-provided adoption benefits from Form 8839, line 29				1f	
g	Wages from Form 8919, line 6				1g	
h	Other earned income (see instructions)				1h	
i	Nontaxable combat pay election (see instructions)	1i				
z	Add lines 1a through 1h				1z	
2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRA distributions	4a		b Taxable amount	4b	
5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐					
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐				7	
8	Additional income from Schedule 1, line 10				8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**				9	
10	Adjustments to income from Schedule 1, line 26				10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**				11	
12	**Standard deduction or itemized deductions** (from Schedule A)				12	
13	Qualified business income deduction from Form 8995 or Form 8995-A				13	
14	Add lines 12 and 13				14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**				15	

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			**1**	
2a	Alimony received			**2a**	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			**3**	
4	Other gains or (losses). Attach Form 4797			**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			**5**	
6	Farm income or (loss). Attach Schedule F			**6**	
7	Unemployment compensation			**7**	
8	Other income:				
a	Net operating loss	**8a**	( )		
b	Gambling	**8b**			
c	Cancellation of debt	**8c**			
d	Foreign earned income exclusion from Form 2555	**8d**	( )		
e	Income from Form 8853	**8e**			
f	Income from Form 8889	**8f**			
g	Alaska Permanent Fund dividends	**8g**			
h	Jury duty pay	**8h**			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**
A Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

When Must You Recapture the Deduction?

You may have to recapture the section 179 deduction if, in any year during the property's recovery period, the percentage of business use drops to 50% or less. In the year the business use drops to 50% or less, you include the re-capture amount as ordinary income in Part IV of Form 4797.

You also increase the basis of the property by the recapture amount. Recovery periods for property are discussed under *Which Recovery Period Applies?* in chapter 4.

Caution

If you sell, exchange, or otherwise dispose of the property, do not figure the recapture amount under the rules explained in this discussion. Instead, use the rules for recapturing depreciation explained in chapter 3 of Pub. 544 under Section 1245 Property.

For qualified real property, see Notice 2013-59 for determining the portion of the gain that is attributable to section 1245 property upon the sale or other disposition of qualified real property. You can find Notice 2013-59 at IRS.gov/irb/2013-40_IRB/ar14.html.

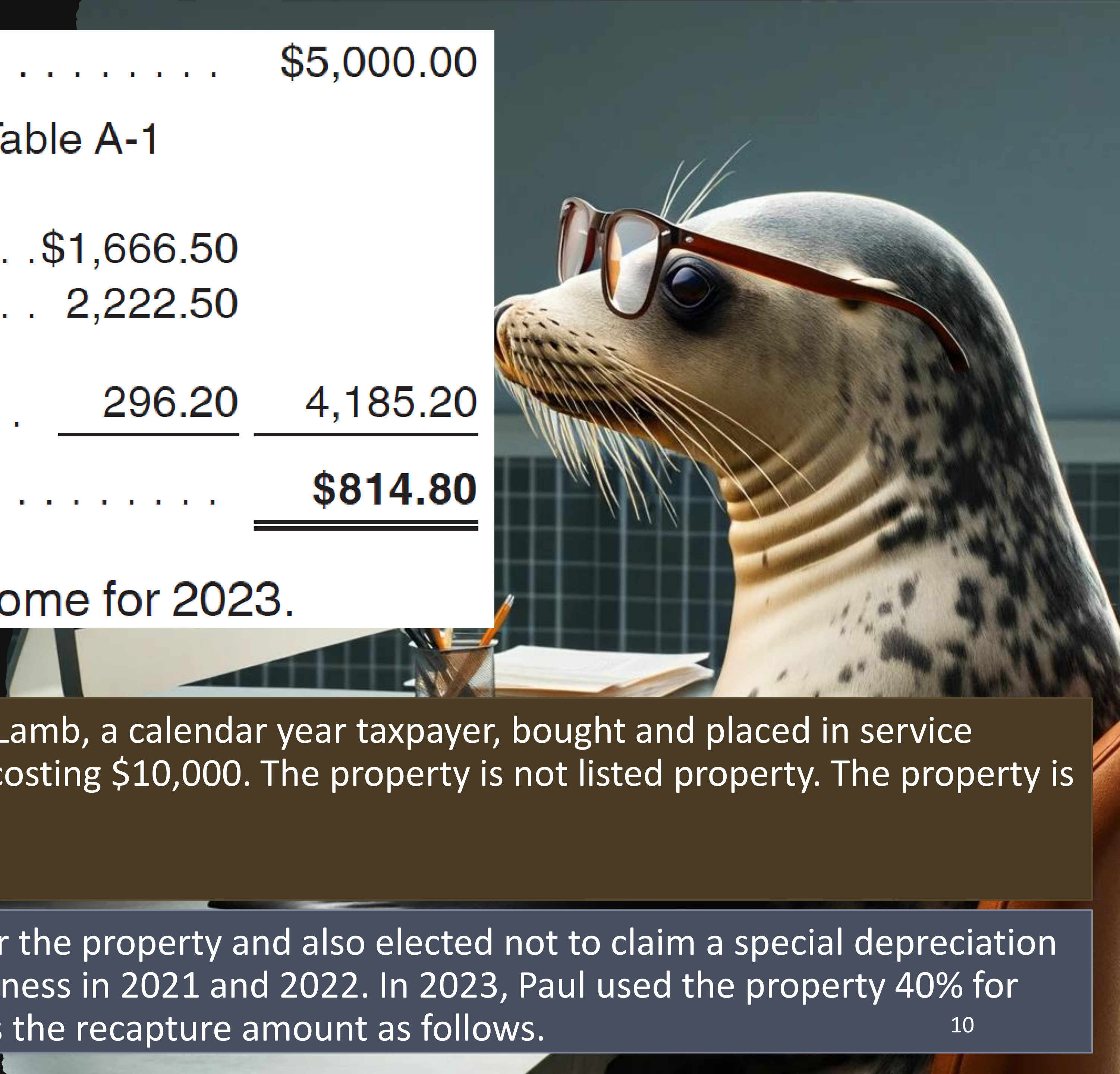
Caution 2

If the property is listed property (described in chapter 5), do not figure the recapture amount under the rules explained in this discussion when the percentage of business use drops to 50% or less. In-stead, use the rules for recapturing excess depreciation in chapter 5 under What Is the Business-Use Requirement.

Figuring the recapture amount. To figure the amount to recapture, take the following steps.

Figure the depreciation that would have been allowable on the section 179 deduction you claimed. Begin with the year you placed the property in service and include the year of recapture.

Subtract the depreciation figured in (1) from the section 179 deduction you claimed. The result is the amount you must recapture.



Example.

In January 2021, Paul Lamb, a calendar year taxpayer, bought and placed in service section 179 property costing $10,000. The property is not listed property. The property is 3-year property.

Paul elected a $5,000 section 179 deduction for the property and also elected not to claim a special depreciation allowance. Paul used the property only for business in 2021 and 2022. In 2023, Paul used the property 40% for business and 60% for personal use. Paul figures the recapture amount as follows.

Section 179 deduction claimed (2019)		$5,000.00
Minus: Allowable depreciation using Table A-1 (instead of section 179 deduction):		
2021	$1,666.50	
2022	2,222.50	
2023 ($740.50 × 40% (0.40) (business))	296.20	4,185.20
2023 — Recapture amount		**$814.80**

Paul must include $814.80 in income for 2023.

Caution

- *If any qualified zone property placed in service during a particular year ceases to be used in an empowerment zone by an enterprise zone business in a later year, the benefit of the increased section 179 deduction must be reported as other income on your return.*

Income Tax

2023-2024

Special Depreciation Allowance Overview

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
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=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
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=	Total Tax
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=	Tax Refund or Tax Due

Income						
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld. If you did not get a Form W-2, see instructions.	**1a**	Total amount from Form(s) W-2, box 1 (see instructions)			**1a**	
	b	Household employee wages not reported on Form(s) W-2			**1b**	
	c	Tip income not reported on line 1a (see instructions)			**1c**	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			**1d**	
	e	Taxable dependent care benefits from Form 2441, line 26			**1e**	
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	g	Wages from Form 8919, line 6			**1g**	
	h	Other earned income (see instructions)			**1h**	
	i	Nontaxable combat pay election (see instructions)	**1i**			
	z	Add lines 1a through 1h			**1z**	
Attach Sch. B if required.	**2a**	Tax-exempt interest	**2a**	**b** Taxable interest	**2b**	
	3a	Qualified dividends	**3a**	**b** Ordinary dividends	**3b**	
Standard Deduction for—	**4a**	IRA distributions	**4a**	**b** Taxable amount	**4b**	
• Single or Married filing separately, $13,850	**5a**	Pensions and annuities	**5a**	**b** Taxable amount	**5b**	
• Married filing jointly or Qualifying surviving spouse, $27,700	**6a**	Social security benefits	**6a**	**b** Taxable amount	**6b**	
• Head of household, $20,800	**c**	If you elect to use the lump-sum election method, check here (see instructions) ☐				
• If you checked any box under *Standard Deduction*, see instructions.	**7**	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			**7**	
	8	Additional income from Schedule 1, line 10			**8**	
	9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			**9**	
	10	Adjustments to income from Schedule 1, line 26			**10**	
	11	Subtract line 10 from line 9. This is your **adjusted gross income**			**11**	
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	13	Qualified business income deduction from Form 8995 or Form 8995-A			**13**	
	14	Add lines 12 and 13			**14**	
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SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

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OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	**1**	
2a	Alimony received	**2a**	
b	Date of original divorce or separation agreement (see instructions):		
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4	Other gains or (losses). Attach Form 4797	**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .	**5**	
6	Farm income or (loss). Attach Schedule F	**6**	
7	Unemployment compensation	**7**	
8	Other income:		
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c	Cancellation of debt **8c**		
d	Foreign earned income exclusion from Form 2555 . . . . **8d** ( )		
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SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

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OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A Principal business or profession, including product or service (see instructions)

B **Enter code from instructions**

C Business name. If no separate business name, leave blank.

D **Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
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Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Claiming the Special Depreciation Allowance

You can take a special depreciation allowance to recover part of the cost of qualified property (defined next) placed in service during the tax year. The allowance applies only for the first year you place the property in service.

The allowance is an additional deduction you can take after any section 179 deduction and before you figure regular depreciation under MACRS for the year you place the property in service.

This chapter explains what is qualified property. It also includes rules regarding how to figure an allowance, how to elect not to claim an allowance, and when you must re-capture an allowance.

See How To Get Tax Help for information about getting publications and forms.

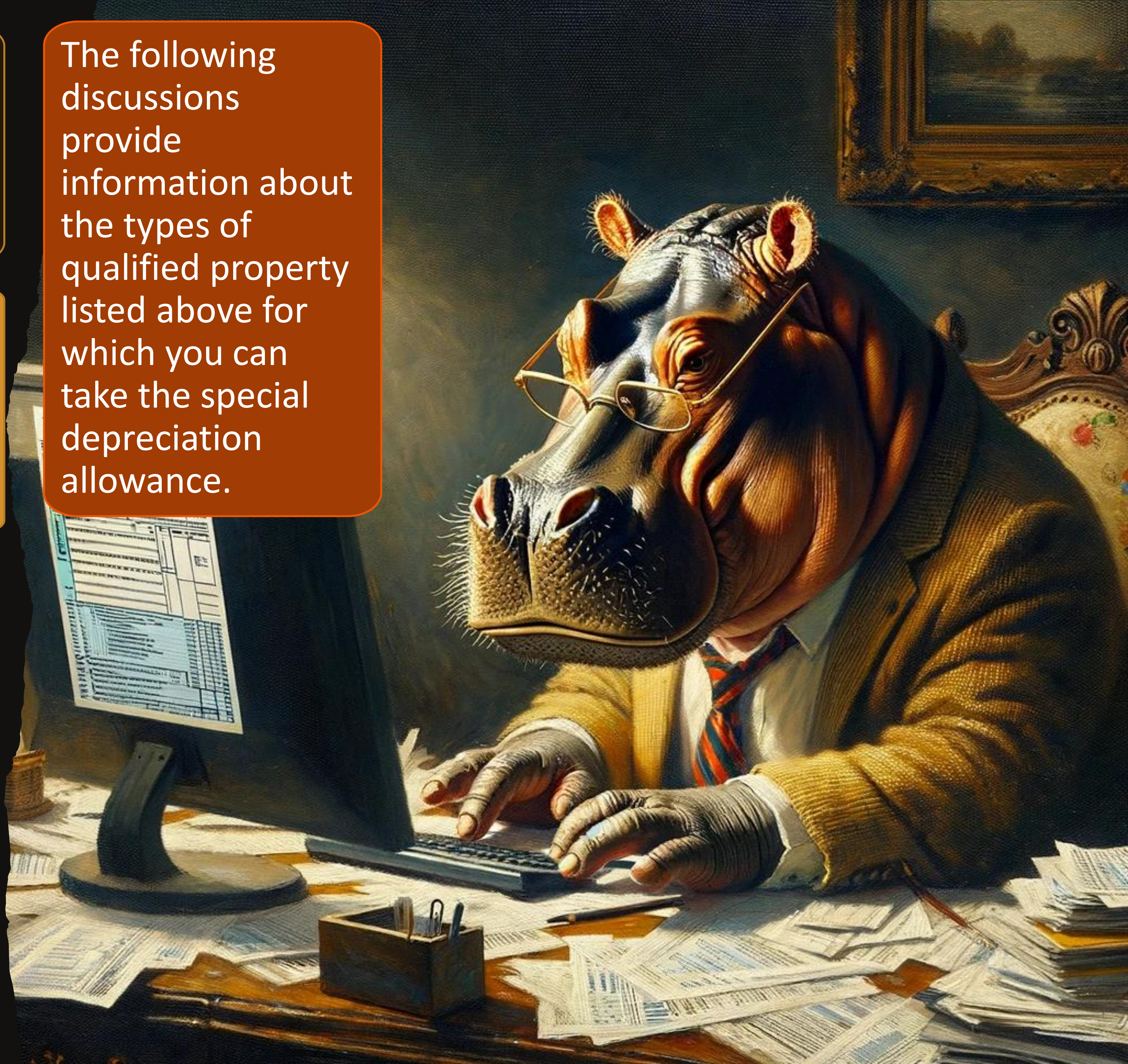
What Is Qualified Property? - Your property is qualified property if it is one of the following.

Qualified reuse and recycling property.

Certain qualified property acquired after September 27, 2017.

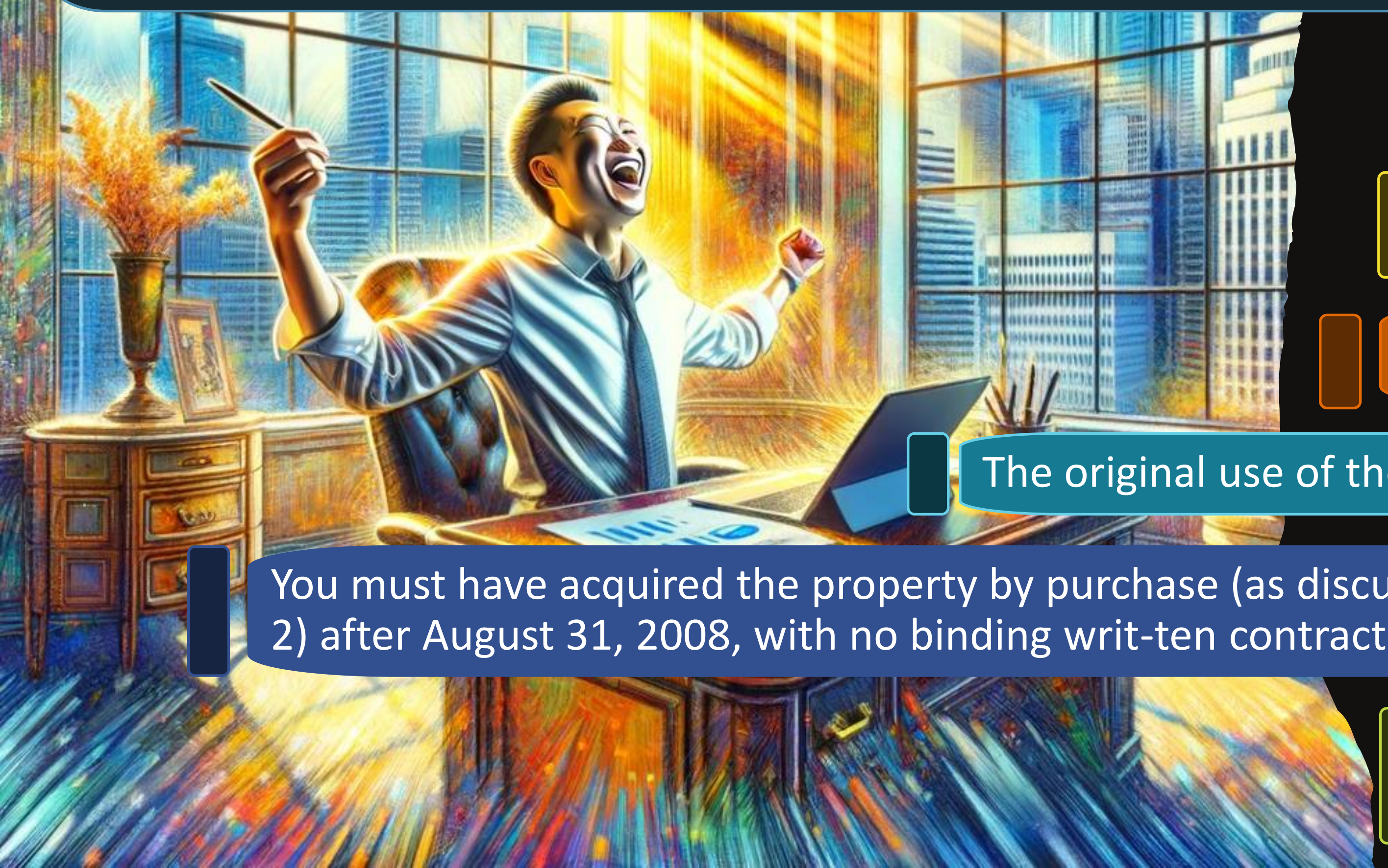
Certain plants bearing fruits and nuts.

The following discussions provide information about the types of qualified property listed above for which you can take the special depreciation allowance.



Qualified Reuse and Recycling Property

- You can take a 50% special depreciation allowance for qualified reuse and recycling property.
- Qualified reuse and recycling property is any machinery or equipment (not including buildings or real estate), along with any appurtenance, that is used exclusively to collect, distribute, or re-cycle qualified reuse and recyclable materials (as defined in section 168(m)(3)(B) of the Internal Revenue Code).
- Qualified reuse and recycling property also includes soft-ware necessary to operate such equipment. The property must meet the following requirements.



- The property must be depreciated under MACRS.
- The property must have a useful life of at least 5 years.
- The original use of the property must begin with you after August 31, 2008.
- You must have acquired the property by purchase (as discussed under *Property Acquired by Purchase* in chapter 2) after August 31, 2008, with no binding writ-ten contract for the acquisition in effect before September 1, 2008.
- The property must be placed in service for use in your trade or business after August 31, 2008.

Excepted Property - Qualified reuse and recycling property does not include any of the following.

Any rolling stock or other equipment used to transport reuse or recyclable materials.

Property required to be depreciated using the Alternative Depreciation System (ADS). For other property required to be depreciated using ADS, see *Required use of ADS* under *Which Depreciation System (GDS or ADS) Applies?* in chapter 4.

Other bonus depreciation property to which section 168(k) of the Internal Revenue Code applies.

Property for which you elected not to claim any special depreciation allowance (discussed later).

Property placed in service and disposed of in the same tax year.

Property converted from business use to personal use in the same tax year acquired. Property converted from personal use to business use in the same or later tax year may be qualified reuse and recycling property.

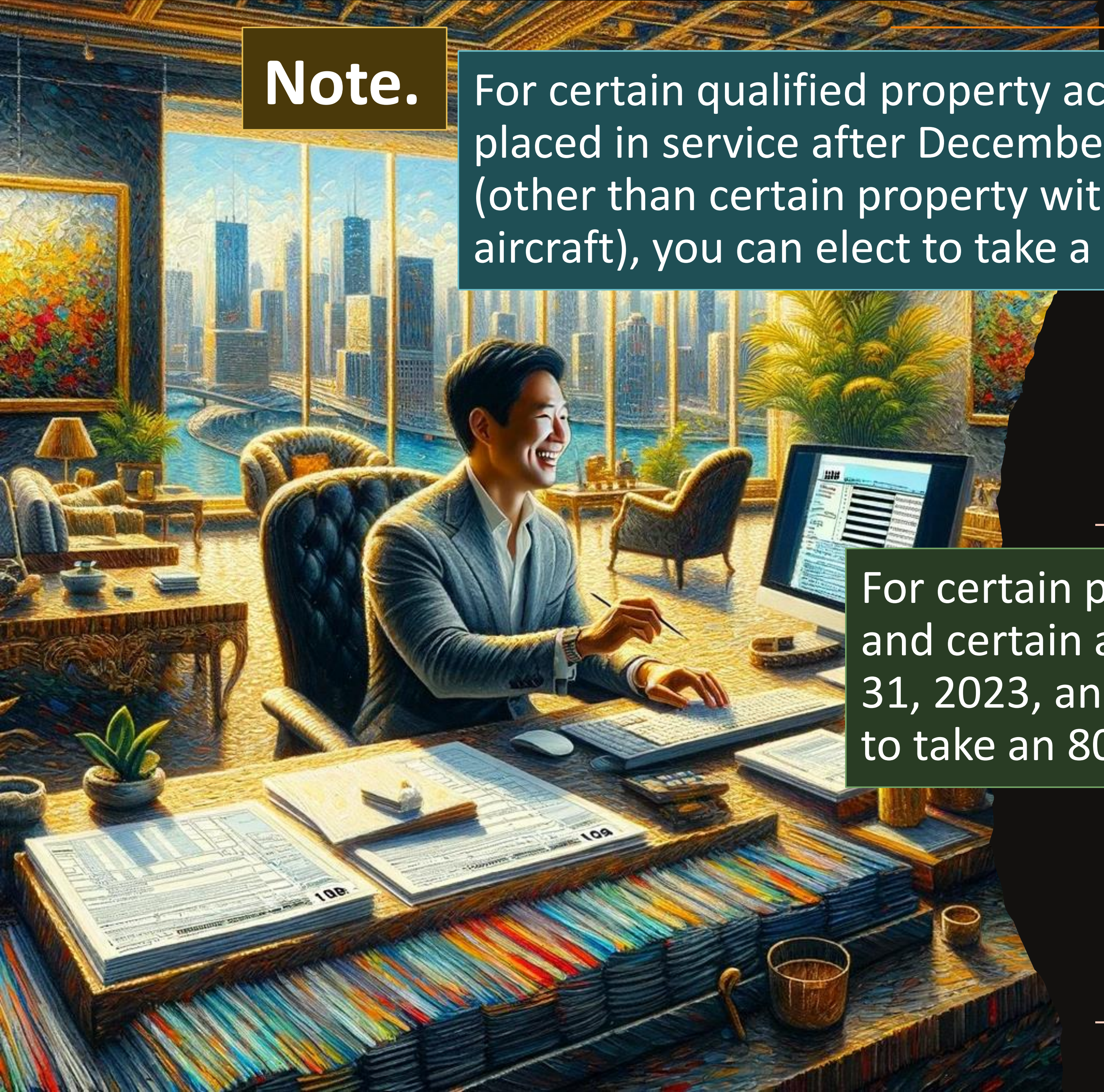
Certain Qualified Property Acquired After September 27, 2017

You can elect to take an 80% special depreciation allowance for property acquired after September 27, 2017, and placed in service after December 31, 2022, and before January 1, 2024 (other than certain property with a long production period and certain aircraft).

You can elect to take a 100% special depreciation allowance for certain property with a long production period and certain aircraft placed in service before January 1, 2024. Your property is qualified property if it meets the following.

- 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) of the Internal Revenue Code.
- Water utility property.
- Qualified film, television, and live theatrical productions, as defined in sections 181(d) and (e) of the In-ternal Revenue Code.
- A specified plant for which you made the election to apply section 168(k)(5) for the tax year in which the plant is planted or grafted (explained later under *Certain Plants Bearing Fruits and Nuts*).
- It is not excepted property (explained later under *Excepted Property*).

Qualified property must also be placed in service be-fore January 1, 2027 (or before January 1, 2028, for certain property with a long production period and for certain aircraft), and can be either new property or certain used property.



Note.

For certain qualified property acquired after September 27, 2017, and placed in service after December 31, 2023, and before January 1, 2025 (other than certain property with a long production period and certain aircraft), you can elect to take a 60% special depreciation allowance.

For certain property with a long production period and certain aircraft placed in service after December 31, 2023, and before January 1, 2025, you can elect to take an 80% special depreciation allowance.

Long Production Period Property - To be qualified property, long production period property must meet the following requirements.

The property has a recovery period of at least 10 years or is transportation property. Transportation property is tangible personal property used in the trade or business of transporting persons or property.

The property is subject to section 263A of the Internal Revenue Code.

The property has an estimated production period exceeding 1 year and an estimated production cost exceeding $1 million.

You must have acquired the property, or acquired the property pursuant to a written contract entered into, before January 1, 2027.

Noncommercial Aircraft - To be qualified property, noncommercial aircraft must meet the following requirements.

The aircraft must not be tangible personal property used in the trade or business of transporting persons or property (except for agricultural or firefighting purposes).

The aircraft must be purchased (as discussed under *Property Acquired by Purchase* in chapter 2) by a purchaser who at the time of the contract for purchase makes a nonrefundable deposit of the lesser of 10% of the cost or $100,000.

The aircraft must have an estimated production period exceeding 4 months and a cost exceeding $200,000.

You must have acquired the aircraft, or acquired the aircraft pursuant to a written contract entered into, before January 1, 2027.

Special Rules

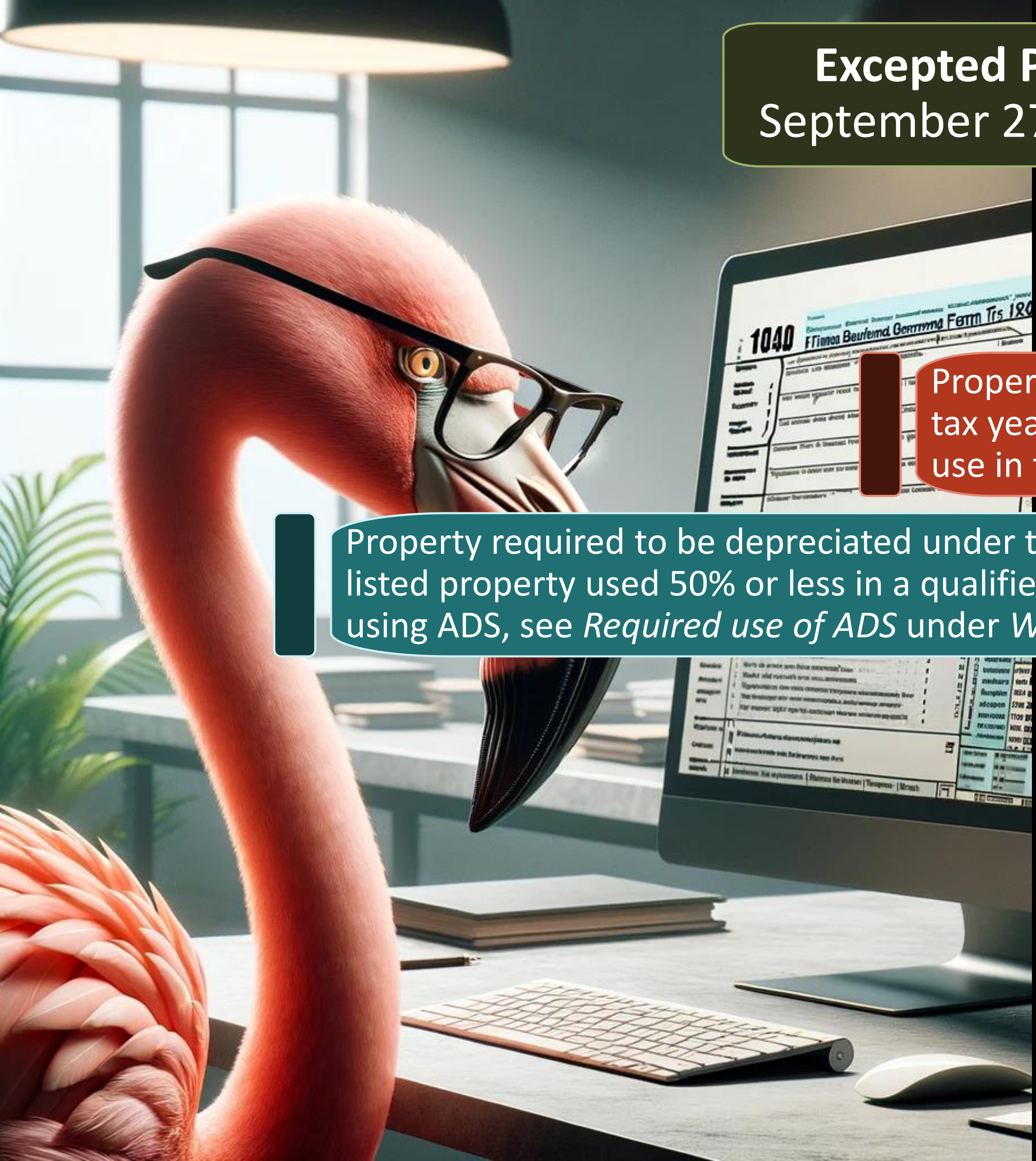
Syndicated leasing transactions.

Excepted Property

Syndicated leasing transactions.

If qualified property is originally placed in service by a lessor, the property is sold within 3 months of the date it was placed in service, and the user of the property does not change, then the property is treated as originally placed in service by the taxpayer no earlier than the date of the last sale.

Multiple units of property subject to the same lease will be treated as originally placed in service no earlier than the date of the last sale if the property is sold within 3 months after the final unit is placed in service and the period between the time the first and last units are placed in service does not exceed 12 months.



Excepted Property - Qualified property acquired after September 27, 2017, does not include any of the following.

- Property placed in service, or planted or grafted, and disposed of in the same tax year.
- Property converted from business use to personal use in the same tax year acquired. Property converted from personal use to business use in the same or later tax year may be qualified property.
- Property required to be depreciated under the Alterna-tive Depreciation System (ADS). This includes listed property used 50% or less in a qualified business use. For other property required to be depreciated using ADS, see *Required use of ADS* under *Which Depreciation System (GDS or ADS) Applies?* in chapter 4.
- Property for which you elected not to claim any special depreciation allowance (discussed later).
- Property described in section 168(k)(9)(A) and placed in service in any tax year beginning after December 31, 2017.
- Property described in section 168(k)(9)(B) and placed in service in any tax year beginning after December 31, 2017.

Income Tax

2023-2024

Special Depreciation Allowance Overview

Publication 946

Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a
b	Household employee wages not reported on Form(s) W-2			1b
c	Tip income not reported on line 1a (see instructions)			1c
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d
e	Taxable dependent care benefits from Form 2441, line 26			1e
f	Employer-provided adoption benefits from Form 8839, line 29			1f
g	Wages from Form 8919, line 6			1g
h	Other earned income (see instructions)			1h
i	Nontaxable combat pay election (see instructions)	1i		
z	Add lines 1a through 1h			1z

Attach Sch. B if required.

2a	Tax-exempt interest	2a	b Taxable interest	2b
3a	Qualified dividends	3a	b Ordinary dividends	3b
4a	IRA distributions	4a	b Taxable amount	4b
5a	Pensions and annuities	5a	b Taxable amount	5b
6a	Social security benefits	6a	b Taxable amount	6b

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐	
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7
8	Additional income from Schedule 1, line 10	8
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9
10	Adjustments to income from Schedule 1, line 26	10
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11
12	**Standard deduction or itemized deductions** (from Schedule A)	12
13	Qualified business income deduction from Form 8995 or Form 8995-A	13
14	Add lines 12 and 13	14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Claiming the Special Depreciation Allowance

You can take a special depreciation allowance to recover part of the cost of qualified property (defined next) placed in service during the tax year. The allowance applies only for the first year you place the property in service.

The allowance is an additional deduction you can take after any section 179 deduction and before you figure regular depreciation under MACRS for the year you place the property in service.

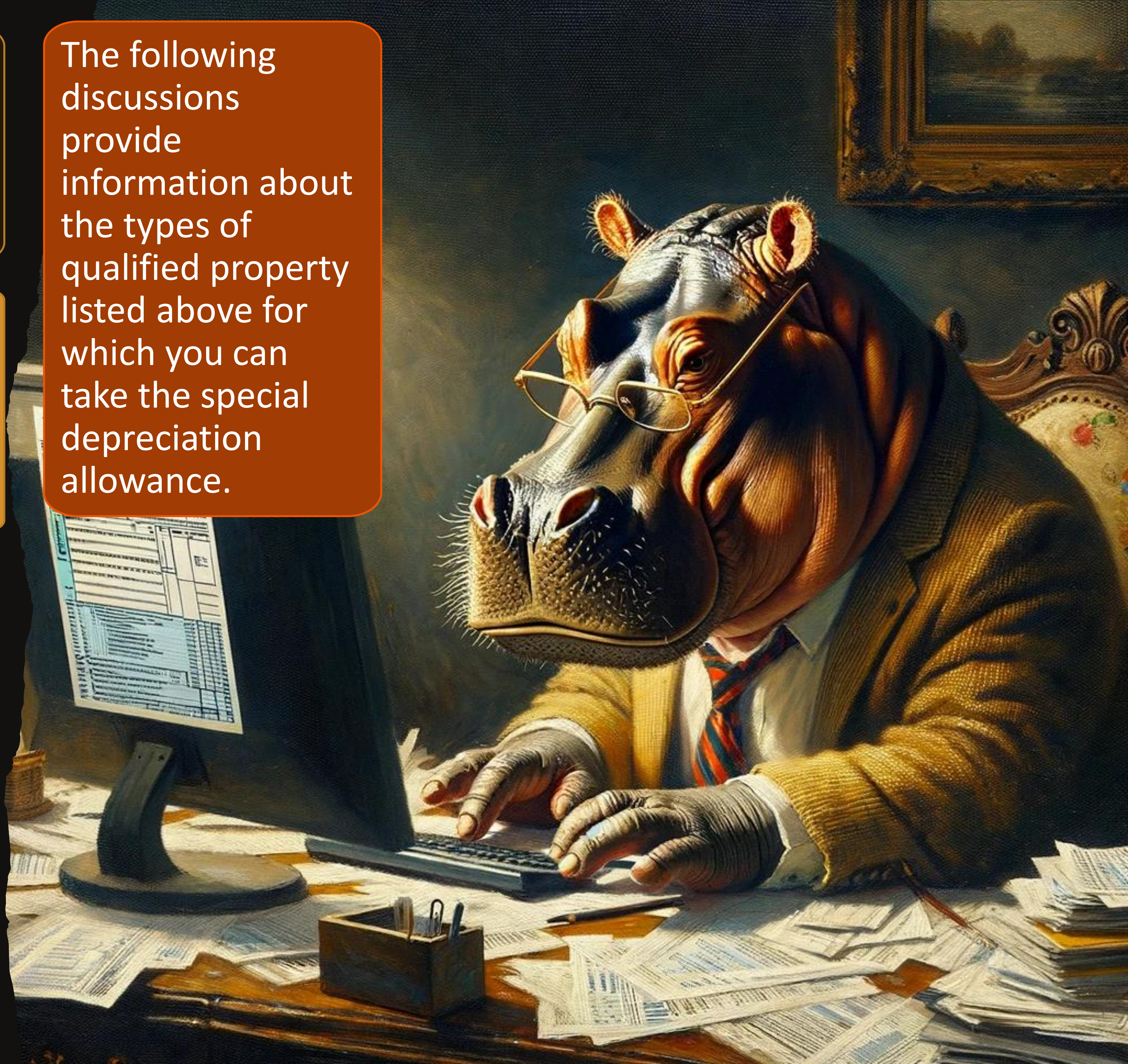
This chapter explains what is qualified property. It also includes rules regarding how to figure an allowance, how to elect not to claim an allowance, and when you must re-capture an allowance.

See How To Get Tax Help for information about getting publications and forms.

What Is Qualified Property? - Your property is qualified property if it is one of the following.

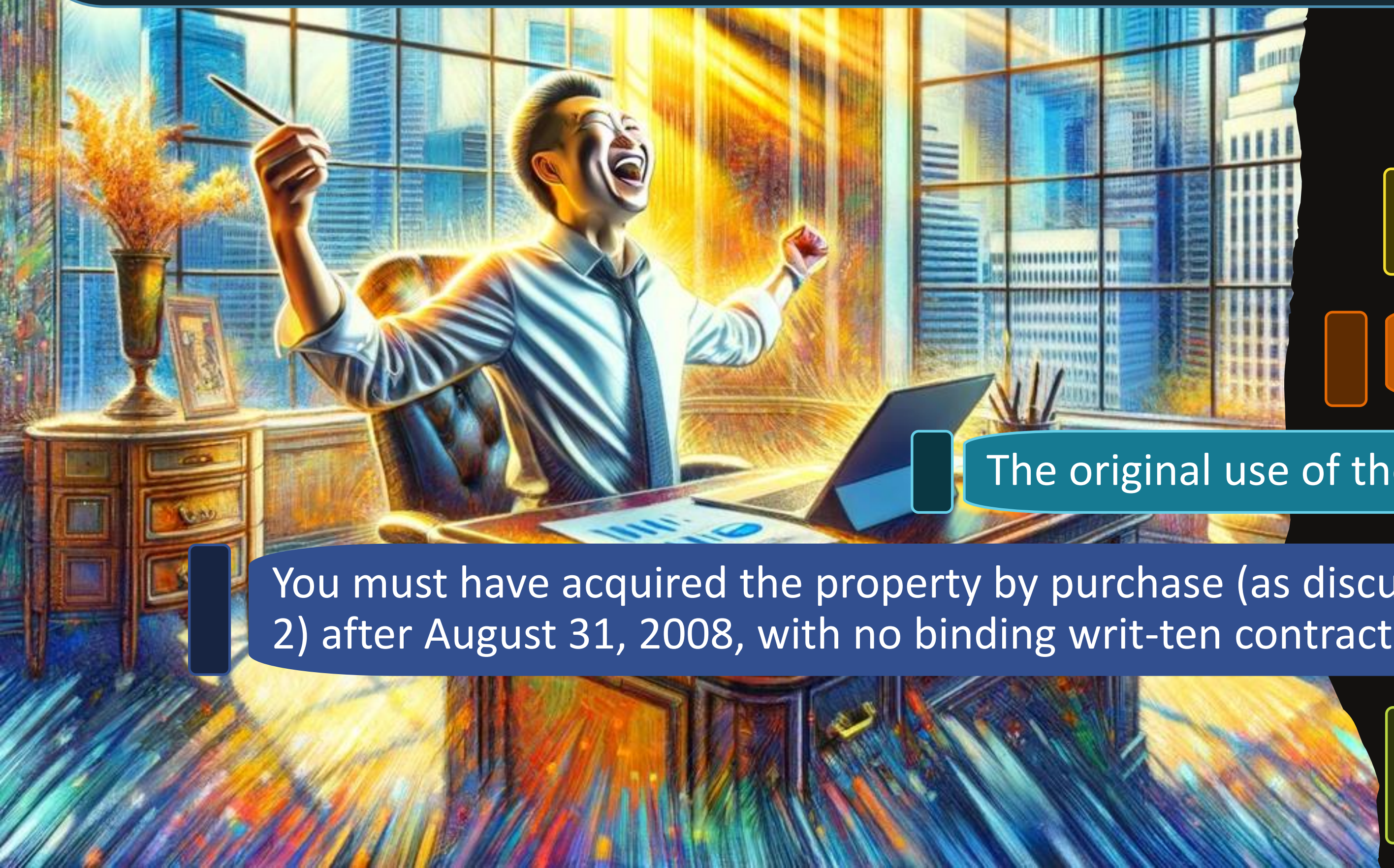
- Qualified reuse and recycling property.
- Certain qualified property acquired after September 27, 2017.
- Certain plants bearing fruits and nuts.

The following discussions provide information about the types of qualified property listed above for which you can take the special depreciation allowance.



Qualified Reuse and Recycling Property

- You can take a 50% special depreciation allowance for qualified reuse and recycling property.
- Qualified reuse and recycling property is any machinery or equipment (not including buildings or real estate), along with any appurtenance, that is used exclusively to collect, distribute, or re-cycle qualified reuse and recyclable materials (as defined in section 168(m)(3)(B) of the Internal Revenue Code).
- Qualified reuse and recycling property also includes soft-ware necessary to operate such equipment. The property must meet the following requirements.



The property must be depreciated under MACRS.

The property must have a useful life of at least 5 years.

The original use of the property must begin with you after August 31, 2008.

You must have acquired the property by purchase (as discussed under *Property Acquired by Purchase* in chapter 2) after August 31, 2008, with no binding writ-ten contract for the acquisition in effect before September 1, 2008.

The property must be placed in service for use in your trade or business after August 31, 2008.

Excepted Property - Qualified reuse and recycling property does not include any of the following.

Any rolling stock or other equipment used to transport reuse or recyclable materials.

Property required to be depreciated using the Alternative Depreciation System (ADS). For other property required to be depreciated using ADS, see *Required use of ADS* under *Which Depreciation System (GDS or ADS) Applies?* in chapter 4.

Other bonus depreciation property to which section 168(k) of the Internal Revenue Code applies.

Property for which you elected not to claim any special depreciation allowance (discussed later).

Property placed in service and disposed of in the same tax year.

Property converted from business use to personal use in the same tax year acquired. Property converted from personal use to business use in the same or later tax year may be qualified reuse and recycling property.

Certain Qualified Property Acquired After September 27, 2017

You can elect to take an 80% special depreciation allowance for property acquired after September 27, 2017, and placed in service after December 31, 2022, and before January 1, 2024 (other than certain property with a long production period and certain aircraft).

You can elect to take a 100% special depreciation allowance for certain property with a long production period and certain aircraft placed in service before January 1, 2024. Your property is qualified property if it meets the following.

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) of the Internal Revenue Code.

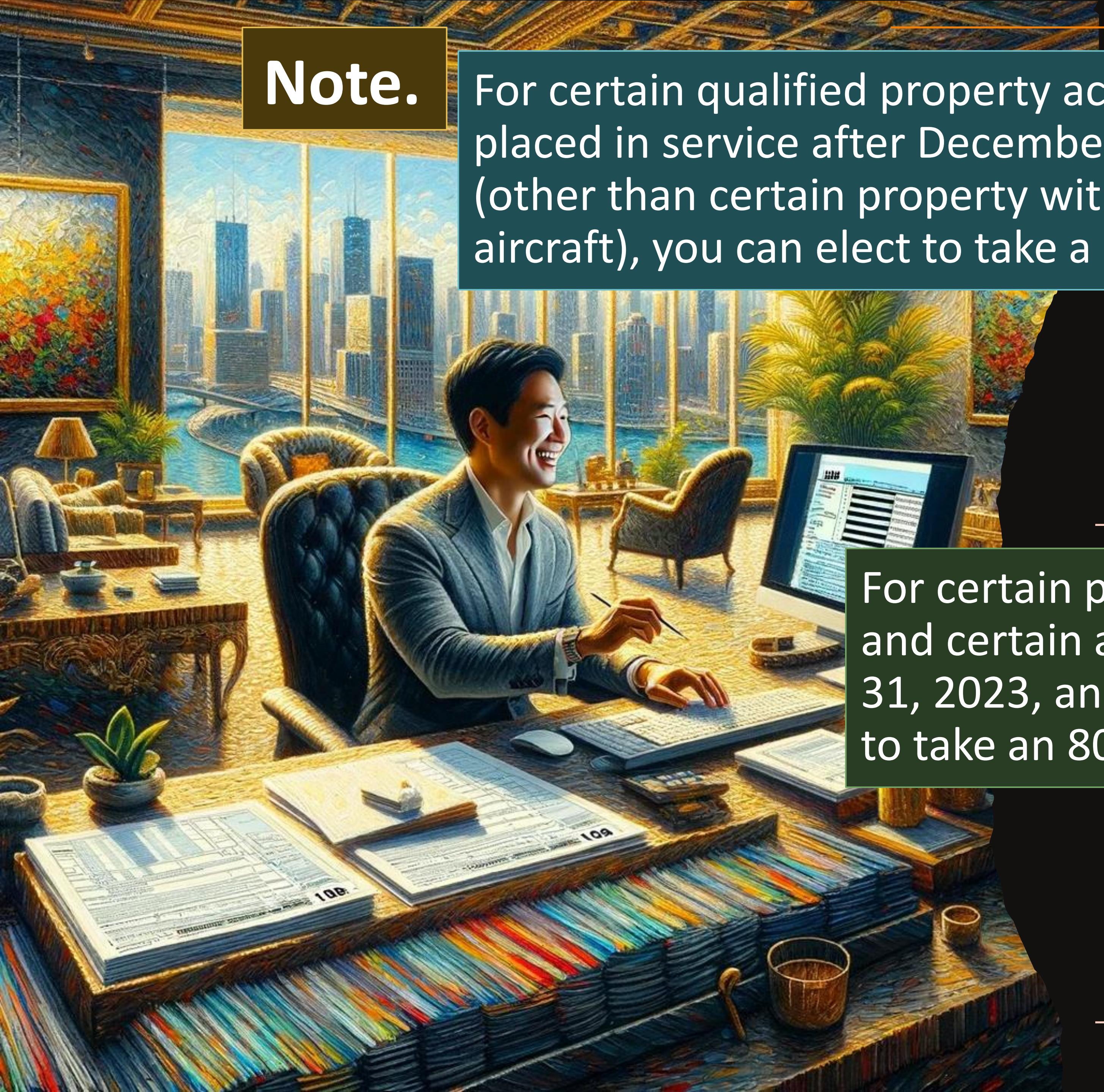
Water utility property.

Qualified film, television, and live theatrical productions, as defined in sections 181(d) and (e) of the In-ternal Revenue Code.

A specified plant for which you made the election to apply section 168(k)(5) for the tax year in which the plant is planted or grafted (explained later under *Certain Plants Bearing Fruits and Nuts*).

It is not excepted property (explained later under *Excepted Property*).

Qualified property must also be placed in service be-fore January 1, 2027 (or before January 1, 2028, for certain property with a long production period and for certain aircraft), and can be either new property or certain used property.



Note.

For certain qualified property acquired after September 27, 2017, and placed in service after December 31, 2023, and before January 1, 2025 (other than certain property with a long production period and certain aircraft), you can elect to take a 60% special depreciation allowance.

For certain property with a long production period and certain aircraft placed in service after December 31, 2023, and before January 1, 2025, you can elect to take an 80% special depreciation allowance.

Long Production Period Property - To be qualified property, long production period property must meet the following requirements.

The property has a recovery period of at least 10 years or is transportation property. Transportation property is tangible personal property used in the trade or business of transporting persons or property.

The property is subject to section 263A of the Internal Revenue Code.

The property has an estimated production period exceeding 1 year and an estimated production cost exceeding $1 million.

You must have acquired the property, or acquired the property pursuant to a written contract entered into, before January 1, 2027.

Noncommercial Aircraft - To be qualified property, noncommercial aircraft must meet the following requirements.

The aircraft must not be tangible personal property used in the trade or business of transporting persons or property (except for agricultural or firefighting purposes).

The aircraft must be purchased (as discussed under *Property Acquired by Purchase* in chapter 2) by a purchaser who at the time of the contract for purchase makes a nonrefundable deposit of the lesser of 10% of the cost or $100,000.

The aircraft must have an estimated production period exceeding 4 months and a cost exceeding $200,000.

You must have acquired the aircraft, or acquired the aircraft pursuant to a written contract entered into, before January 1, 2027.

Special Rules

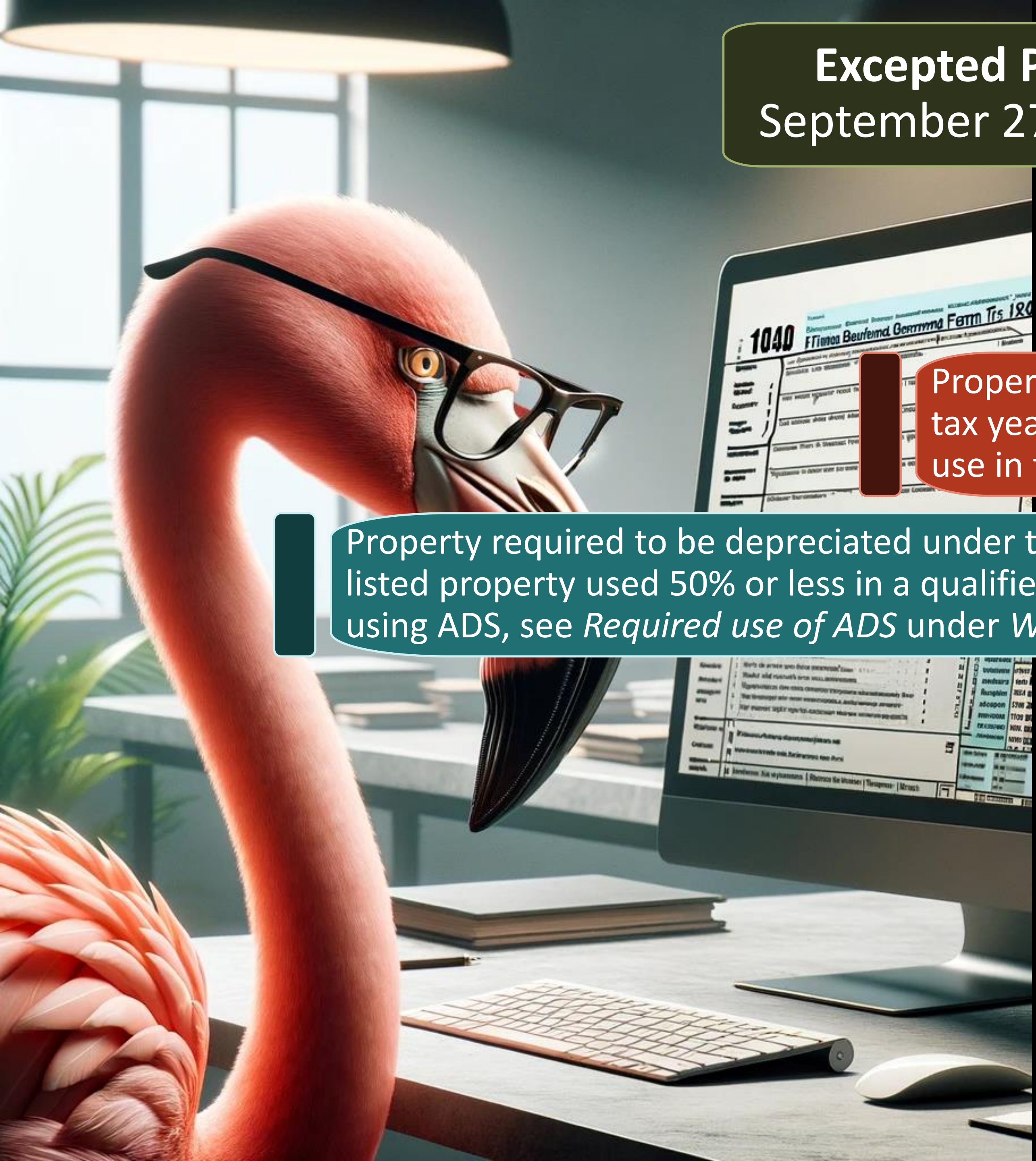
Syndicated leasing transactions.

Excepted Property

Syndicated leasing transactions.

If qualified property is originally placed in service by a lessor, the property is sold within 3 months of the date it was placed in service, and the user of the property does not change, then the property is treated as originally placed in service by the taxpayer no earlier than the date of the last sale.

Multiple units of property subject to the same lease will be treated as originally placed in service no earlier than the date of the last sale if the property is sold within 3 months after the final unit is placed in service and the period between the time the first and last units are placed in service does not exceed 12 months.



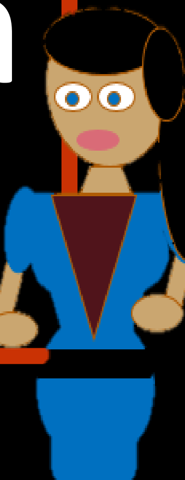
Excepted Property - Qualified property acquired after September 27, 2017, does not include any of the following.

- Property placed in service, or planted or grafted, and disposed of in the same tax year.
- Property converted from business use to personal use in the same tax year acquired. Property converted from personal use to business use in the same or later tax year may be qualified property.
- Property required to be depreciated under the Alterna-tive Depreciation System (ADS). This includes listed property used 50% or less in a qualified business use. For other property required to be depreciated using ADS, see *Required use of ADS* under *Which Depreciation System (GDS or ADS) Applies?* in chapter 4.
- Property for which you elected not to claim any special depreciation allowance (discussed later).
- Property described in section 168(k)(9)(A) and placed in service in any tax year beginning after December 31, 2017.
- Property described in section 168(k)(9)(B) and placed in service in any tax year beginning after December 31, 2017.

Income Tax

2023-2024

Special Depreciation Allowance - How Much Can You Deduct?



Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
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=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	
b	Household employee wages not reported on Form(s) W-2		1b	
c	Tip income not reported on line 1a (see instructions)		1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
e	Taxable dependent care benefits from Form 2441, line 26		1e	
f	Employer-provided adoption benefits from Form 8839, line 29		1f	
g	Wages from Form 8919, line 6		1g	
h	Other earned income (see instructions)		1h	
i	Nontaxable combat pay election (see instructions)	1i		
z	Add lines 1a through 1h		1z	

Attach Sch. B if required.

2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRA distributions	4a		b Taxable amount	4b	
5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes		1	
2a	Alimony received		2a	
b	Date of original divorce or separation agreement (see instructions):			
3	Business income or (loss). Attach Schedule C		3	
4	Other gains or (losses). Attach Form 4797		4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E		5	
6	Farm income or (loss). Attach Schedule F		6	
7	Unemployment compensation		7	
8	Other income:			
a	Net operating loss	8a ( )		
b	Gambling	8b		
c	Cancellation of debt	8c		
d	Foreign earned income exclusion from Form 2555	8d ( )		
e	Income from Form 8853	8e		
f	Income from Form 8889	8f		
g	Alaska Permanent Fund dividends	8g		
h	Jury duty pay	8h		

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . ☐	1	
2	Returns and allowances . . .	2	
3	Subtract line 2 from line 1 . . .	3	
4	Cost of goods sold (from line 42) . . .	4	
5	**Gross profit.** Subtract line 4 from line 3 . . .	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions) . . .	6	
7	**Gross income.** Add lines 5 and 6 . . .	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising . . .	8		18	Office expense (see instructions) .	18	

How Much Can You Deduct?

Figure the special depreciation allowance by multiplying the depreciable basis of qualified reuse and recycling property, certain qualified property acquired after September 27, 2017, and certain plants bearing fruits and nuts by the applicable percentage.

For qualified property other than listed property, enter the special depreciation allowance on Form 4562, Part II, line 14. For qualified property that is listed property, enter the special depreciation allowance on Form 4562, Part V, line 25.

Tip

- *If you place qualified property in service in a short tax year, you can take the full amount of a special depreciation allowance.*

This is the property's cost or other basis multiplied by the percentage of business/investment use, reduced by the total amount of any credits and de-ductions allocable to the property.

Depreciable basis.

The following are examples of some credits and deductions that reduce depreciable basis.

- Any section 179 deduction.
- Any deduction for removal of barriers to the disabled and the elderly.
- Any disabled access credit, enhanced oil recovery credit, and credit for employer-provided childcare facilities and services.
- Basis adjustment to investment credit property under section 50(c) of the Internal Revenue Code.
- Section 181 expense deduction.

Depreciating the remaining cost.

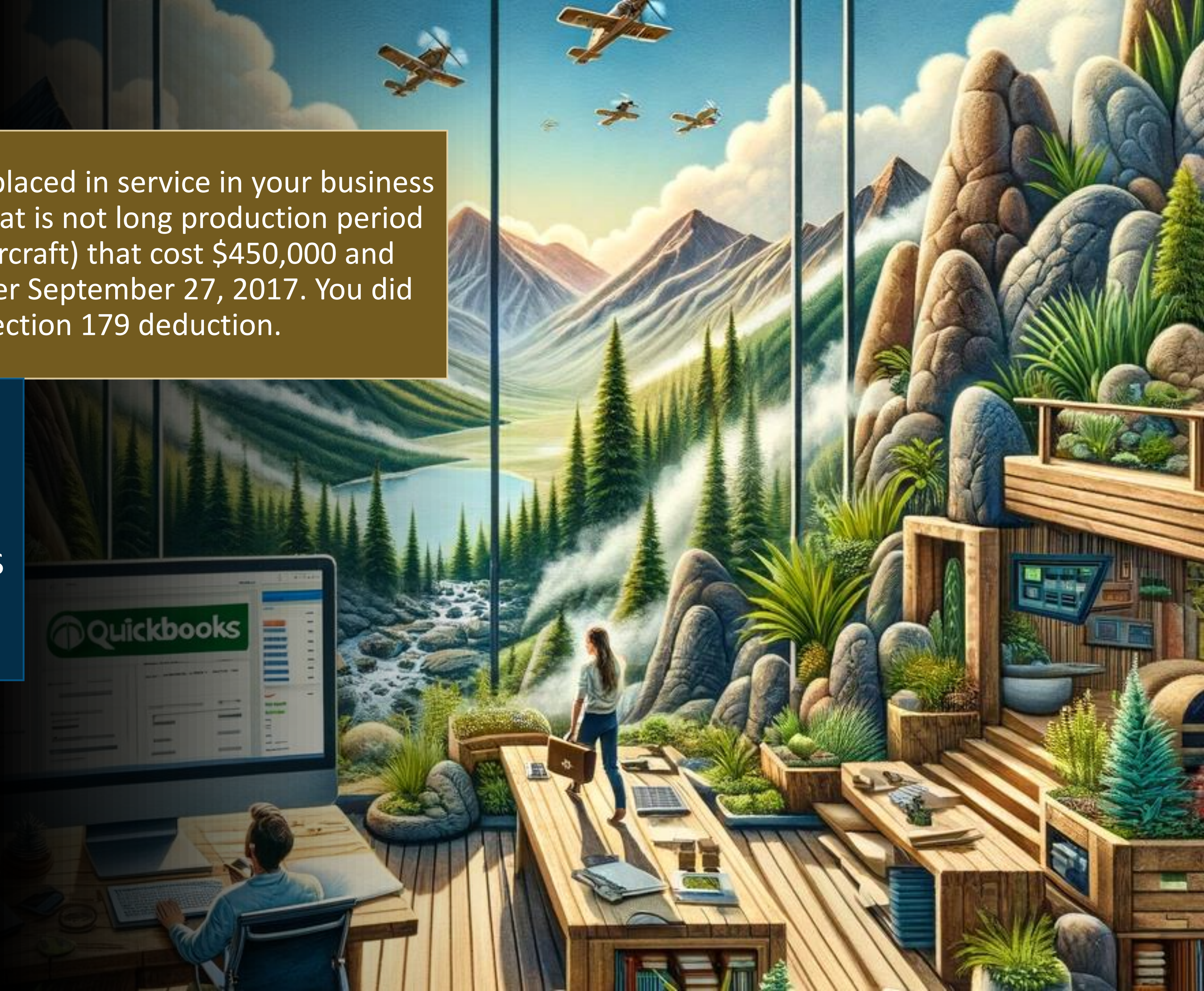
After you figure your special depreciation allowance for your qualified property, you can use the remaining cost to figure your regular MACRS depreciation deduction (discussed in chapter 4).

Therefore, you must reduce the depreciable basis of the property by the special depreciation allowance before figuring your regular MACRS depreciation deduction.

Example.

On July 1, 2023, you placed in service in your business qualified property (that is not long production period property or certain aircraft) that cost $450,000 and that you acquired after September 27, 2017. You did not elect to claim a section 179 deduction.

You deduct 80% of the cost ($360,000) as a special depreciation allowance for 2023. You use the remaining cost of the property to figure a regular MACRS depreciation deduction for your property for 2023 and later years.



Like-kind exchanges and involuntary conversions.

If you acquired qualified property in a like-kind exchange or involuntary conversion after September 27, 2017, and the qualified property is new property, the carryover basis and any excess basis of the acquired property is eligible for the special depreciation allowance.

If you acquired qualified property in a like-kind exchange or involuntary conversion after September 27, 2017, and the qualified property is used property, only the excess basis of the acquired property is eligible for the special depreciation allowance.

After you figure your special depreciation allowance, you can use the remaining carryover basis to figure your regular MACRS depreciation deduction. See *Figuring the Deduction for Property Ac-quired in a Nontaxable Exchange* in chapter 4 under *How Is the Depreciation Deduction Figured*.

Income Tax

2023-2024

Special Depreciation Allowance - How Can You Elect Not To Claim an Allowance?

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

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=	<u>Tax Refund or Tax Due</u>

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	

Attach Sch. B if required.

2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRA distributions	4a		b Taxable amount	4b	
5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	

Standard Deduction for—
- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			**1**	
2a	Alimony received			**2a**	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			**3**	
4	Other gains or (losses). Attach Form 4797			**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .			**5**	
6	Farm income or (loss). Attach Schedule F			**6**	
7	Unemployment compensation			**7**	
8	Other income:				
a	Net operating loss	**8a**	( )		
b	Gambling	**8b**			
c	Cancellation of debt	**8c**			
d	Foreign earned income exclusion from Form 2555	**8d**	( )		
e	Income from Form 8853	**8e**			
f	Income from Form 8889	**8f**			
g	Alaska Permanent Fund dividends	**8g**			
h	Jury duty pay	**8h**			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business
(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A Principal business or profession, including product or service (see instructions)

B **Enter code from instructions**

C Business name. If no separate business name, leave blank.

D **Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

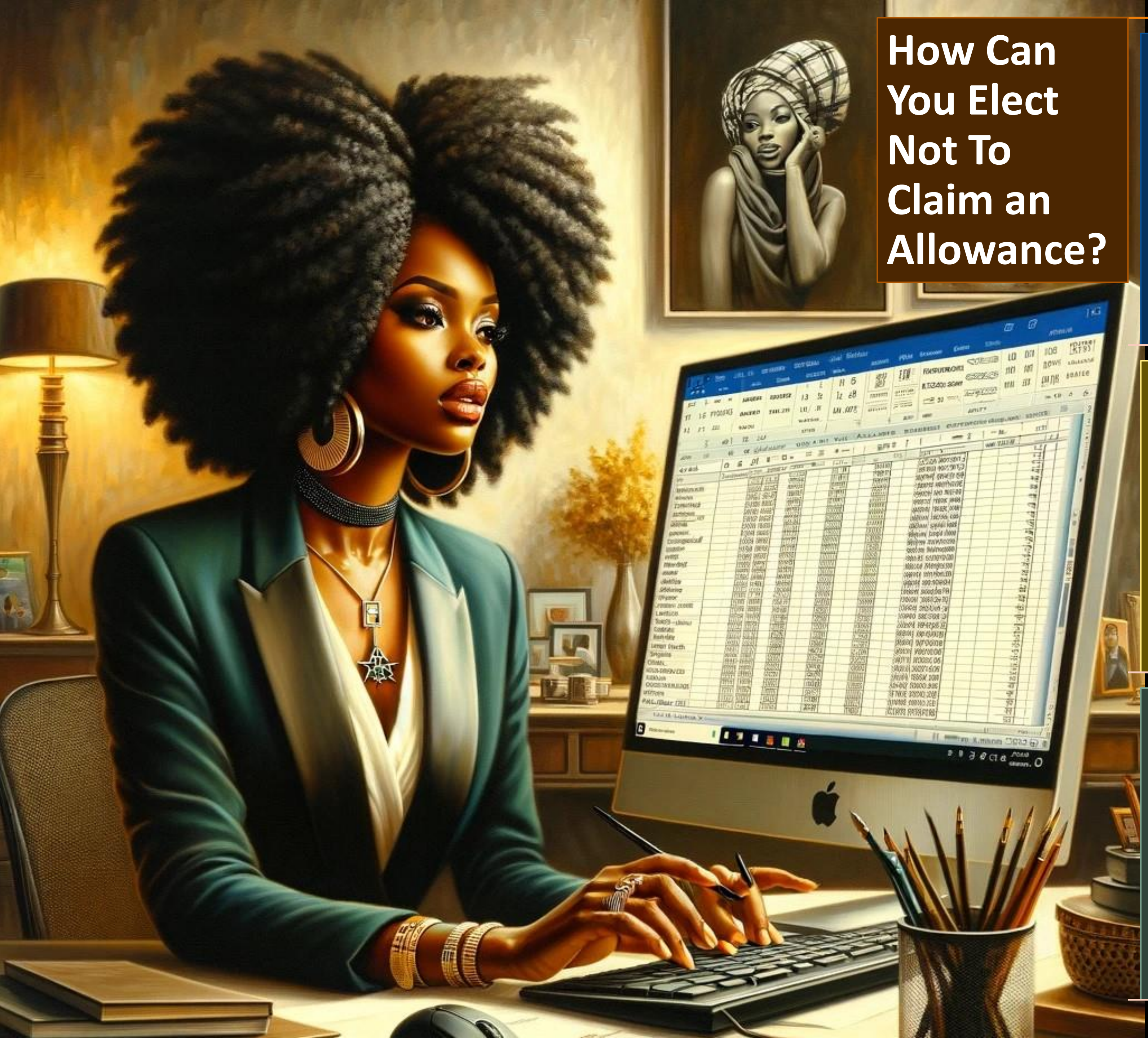
J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	



How Can You Elect Not To Claim an Allowance?

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

To make an election, attach a statement to your return indicating what election you are making and the class of property for which you are making the election.

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

When to make election.

Generally, you must make the election on a timely filed tax return (including extensions) for the year in which you place the property in service.

However, if you timely filed your return for the year without making the election, you can still make the election by filing an amended return within 6 months of the due date of the original return (not including extensions).

Attach the election statement to the amended return. On the amended return, write “Filed pursuant to section 301.9100-2.”

Revoking an election.

Once you elect not to deduct a special depreciation allowance for a class of property, you cannot revoke the election without IRS consent.

A request to revoke the election is a request for a letter ruling.

Income Tax

2023-2024

Special Depreciation Allowance - When Must You Recapture an Allowance?

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	<u>Adjustments to Income</u>
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	<u>Itemized Deduction</u>
=	Taxable Income
x	<u>Tax Rates (Tax Tables)</u>
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	<u>Tax Payments & Refundable Credits</u>
=	<u>Tax Refund or Tax Due</u>

Income	1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	
Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.	b	Household employee wages not reported on Form(s) W-2		1b	
	c	Tip income not reported on line 1a (see instructions)		1c	
	d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
	e	Taxable dependent care benefits from Form 2441, line 26		1e	
	f	Employer-provided adoption benefits from Form 8839, line 29		1f	
If you did not get a Form W-2, see instructions.	g	Wages from Form 8919, line 6		1g	
	h	Other earned income (see instructions)		1h	
	i	Nontaxable combat pay election (see instructions)	1i		
	z	Add lines 1a through 1h		1z	
Attach Sch. B if required.	2a	Tax-exempt interest	2a	b Taxable interest	2b
	3a	Qualified dividends	3a	b Ordinary dividends	3b
Standard Deduction for—	4a	IRA distributions	4a	b Taxable amount	4b
• Single or Married filing separately, $13,850	5a	Pensions and annuities	5a	b Taxable amount	5b
• Married filing jointly or Qualifying surviving spouse, $27,700	6a	Social security benefits	6a	b Taxable amount	6b
• Head of household, $20,800	c	If you elect to use the lump-sum election method, check here (see instructions) ☐			
• If you checked any box under *Standard Deduction*, see instructions.	7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐		7	
	8	Additional income from Schedule 1, line 10		8	
	9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**		9	
	10	Adjustments to income from Schedule 1, line 26		10	
	11	Subtract line 10 from line 9. This is your **adjusted gross income**		11	
	12	**Standard deduction or itemized deductions** (from Schedule A)		12	
	13	Qualified business income deduction from Form 8995 or Form 8995-A		13	
	14	Add lines 12 and 13		14	
	15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**		15	

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			**1**	
2a	Alimony received			**2a**	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			**3**	
4	Other gains or (losses). Attach Form 4797			**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			**5**	
6	Farm income or (loss). Attach Schedule F			**6**	
7	Unemployment compensation			**7**	
8	Other income:				
a	Net operating loss	**8a**	( )		
b	Gambling	**8b**			
c	Cancellation of debt	**8c**			
d	Foreign earned income exclusion from Form 2555	**8d**	( )		
e	Income from Form 8853	**8e**			
f	Income from Form 8889	**8f**			
g	Alaska Permanent Fund dividends	**8g**			
h	Jury duty pay	**8h**			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor | **Social security number (SSN)**

A Principal business or profession, including product or service (see instructions) | **B Enter code from instructions**

C Business name. If no separate business name, leave blank. | **D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

When Must You Recapture an Allowance?

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 previously allowed or allowable.

See *When Do You Recapture MACRS Depreciation?* in chapter 4 for more information.

Recapture of allowance deducted for qualified GO Zone property.

If, in any year after the year you claim the special depreciation allowance for qualified GO Zone property (including specified GO Zone extension property), the property ceases to be used in the GO Zone, you may have to recapture as ordinary income the excess benefit you received from claiming the special depreciation allowance.

For additional guidance, see Notice 2008-25 on page 484 of Internal Revenue Bulletin 2008-9, available at *IRS.gov/irb/2008-09_IRB/index.html*.

If, in any year after the year you claim the special depreciation allowance for any qualified cellulosic biomass ethanol plant property, qualified cellulosic biofuel plant property, or qualified second generation biofuel plant property, the property ceases to be qualified cellulosic biomass ethanol plant property, qualified cellulosic biofuel plant property, or qualified second generation biofuel plant property, you may have to recapture as ordinary income the excess benefit you received from claiming the special depreciation allowance.

Qualified cellulosic biomass ethanol plant property, qualified cellulosic biofuel plant property, and qualified second generation biofuel plant property.

Recapture of allowance for qualified Recovery Assistance property.

If, in any year after the year you claim the special depreciation allowance for qualified Recovery Assistance property, the property ceases to be used in the Kansas disaster area, you may have to recapture as ordinary income the excess benefit you received from claiming the special depreciation allowance.

For additional guidance, see Notice 2008-67 on page 307 of Internal Revenue Bulletin 2008-32, available at *IRS.gov/irb/ 2008-32_IRB/index.html*.

Recapture of allowance for qualified disaster assistance property.

If, in any year after the year you claim the special depreciation allowance for qualified disaster assistance property, the property ceases to be used in the applicable disaster area, you may have to recapture as ordinary income the excess benefit you received from claiming the special depreciation allowance.

Income Tax

2023-2024

Figuring Depreciation Under MACRS Introduction

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)	1a	
b	Household employee wages not reported on Form(s) W-2	1b	
c	Tip income not reported on line 1a (see instructions)	1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)	1d	
e	Taxable dependent care benefits from Form 2441, line 26	1e	
f	Employer-provided adoption benefits from Form 8839, line 29	1f	
g	Wages from Form 8919, line 6	1g	
h	Other earned income (see instructions)	1h	
i	Nontaxable combat pay election (see instructions) 1i		
z	Add lines 1a through 1h	1z	

Attach Sch. B if required.

2a	Tax-exempt interest	2a		b Taxable interest	2b	
3a	Qualified dividends	3a		b Ordinary dividends	3b	
4a	IRA distributions	4a		b Taxable amount	4b	
5a	Pensions and annuities	5a		b Taxable amount	5b	
6a	Social security benefits	6a		b Taxable amount	6b	

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1
(Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E .			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Figuring Depreciation Under MACRS

The Modified Accelerated Cost Recovery System (MACRS) is used to recover the basis of most business and investment property placed in service after 1986.

MACRS consists of two depreciation systems, the General Depreciation System (GDS) and the Alternative Depreciation System (ADS).

Generally, these systems provide different methods and recovery periods to use in figuring depreciation deductions.

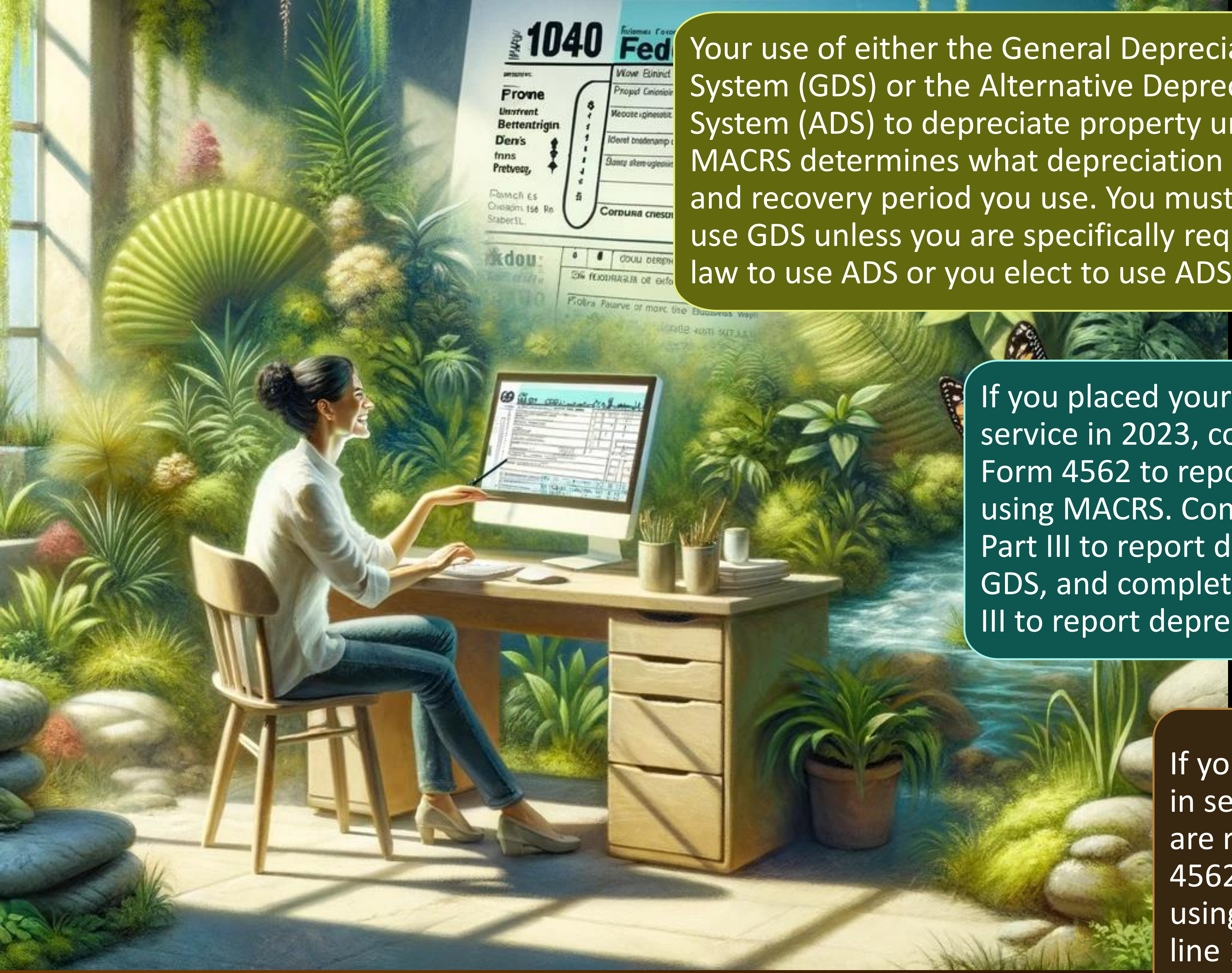
This chapter explains how to determine which MACRS depreciation system applies to your property. It also discusses other information you need to know before you can figure depreciation under MACRS.

This information includes the property's recovery class, placed in service date, and basis, as well as the applicable recovery period, convention, and depreciation method.

It explains how to use this information to figure your depreciation deduction and how to use a general asset account to depreciate a group of properties. Finally, it explains when and how to recapture MACRS depreciation.

Useful Items - You may want to see:

Publication					Form (and Instructions)	
225 Farmer's Tax Guide	463 Travel, Gift, and Car Expenses	544 Sales and Other Dispositions of Assets	551 Basis of Assets	587 Business Use of Your Home	2106 Employee Business Expenses	4562 Depreciation and Amortization



Your use of either the General Depreciation System (GDS) or the Alternative Depreciation System (ADS) to depreciate property under MACRS determines what depreciation method and recovery period you use. You must generally use GDS unless you are specifically required by law to use ADS or you elect to use ADS.

If you placed your property in service in 2023, complete Part III of Form 4562 to report depreciation using MACRS. Complete Section B of Part III to report depreciation using GDS, and complete Section C of Part III to report depreciation using ADS.

If you placed your property in service before 2023 and are required to file Form 4562, report depreciation using either GDS or ADS on line 17 in Part III.

Required use of ADS. You must use ADS for the following property.

Nonresidential real property, residential real property, and qualified improvement property held by an electing real property trade or business (as defined in section 163(j)(7)(B) of the Internal Revenue Code).

For more information, see Revenue Procedure 2019-8 on page 347 of Internal Revenue Bulletin 2019-3, available at *IRS.gov/irb/2019-03_IRB#RP-2019-08*, as modified by Revenue Procedure 2021-28 on page 5 of Internal Revenue Bulletin 2021-27, available at *IRS.gov/irb/2021-27_IRB#RP-2021-28*.

Any property with a recovery period of 10 years or more under GDS held by an electing farming business (as defined in section 163(j)(7)(C) of the Internal Revenue Code).

For more information, see Revenue Procedure 2019-8 on page 347 of Internal Revenue Bulletin 2019-3, available at *IRS.gov/irb/2019-03_IRB#RP-2019-08*.

Any tax-exempt use property.

Any tax-exempt bond-financed property.

All property used predominantly in a farming business and placed in service in any tax year during which an election not to apply the uniform capitalization rules to certain farming costs is in effect.

Any property imported from a foreign country for which an Executive order is in effect because the country maintains trade restrictions or engages in other dis-criminatory acts.

Any tangible property used predominantly outside the United States during the tax year.

Any listed property used 50% or less in a qualified business use during the tax year (discussed later in chapter 5).

Caution

- *If you are required to use ADS to depreciate your property, you cannot claim any special depreciation allowance (discussed in chapter 3) for the property.*

Electing ADS.

Although your property may qualify for GDS, you can elect to use ADS. The election must generally cover all property in the same property class that you placed in service during the year.

However, the election for residential rental property and nonresidential real property can be made on a property-by-property basis. Once you make this election, you can never revoke it.

You make the election by completing Form 4562, Part III, line 20.

Income Tax

2023-2024

MACRS Depreciation - Which Property Class Applies Under GDS?

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

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2023 Returns

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Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

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1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
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c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	
2a	Tax-exempt interest	2a	b Taxable interest	2b	
3a	Qualified dividends	3a	b Ordinary dividends	3b	
4a	IRA distributions	4a	b Taxable amount	4b	
5a	Pensions and annuities	5a	b Taxable amount	5b	
6a	Social security benefits	6a	b Taxable amount	6b	
c	If you elect to use the lump-sum election method, check here (see instructions) ☐				
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			7	
8	Additional income from Schedule 1, line 10			8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			9	
10	Adjustments to income from Schedule 1, line 26			10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**			11	
12	**Standard deduction or itemized deductions** (from Schedule A)			12	
13	Qualified business income deduction from Form 8995 or Form 8995-A			13	
14	Add lines 12 and 13			14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**			15	

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

SCHEDULE 1 (Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes	1	
2a	Alimony received	2a	
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C	3	
4	Other gains or (losses). Attach Form 4797	4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E	5	
6	Farm income or (loss). Attach Schedule F	6	
7	Unemployment compensation	7	
8	Other income:		
a	Net operating loss	8a	( )
b	Gambling	8b	
c	Cancellation of debt	8c	
d	Foreign earned income exclusion from Form 2555	8d	( )
e	Income from Form 8853	8e	
f	Income from Form 8889	8f	
g	Alaska Permanent Fund dividends	8g	
h	Jury duty pay	8h	

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you "materially participate" in the operation of this business during 2023? If "No," see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If "Yes," did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

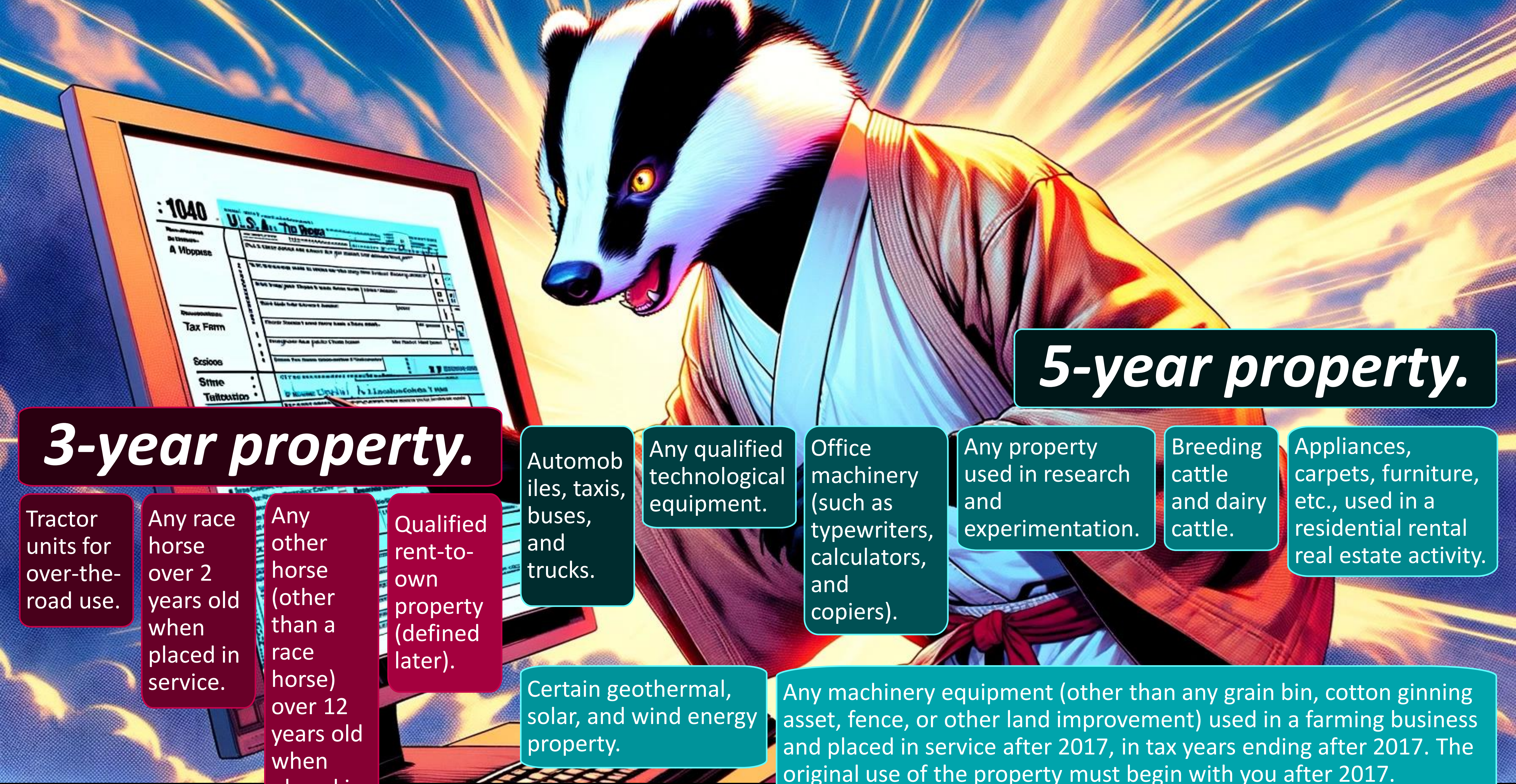
8	Advertising	8		18	Office expense (see instructions) .	18	

Which Property Class Applies Under GDS?

The following is a list of the nine property classifications under GDS and examples of the types of property included in each class.

These property classes are also listed under column (a) in Section B of Part III of Form 4562.

For detailed information on property classes, see Appendix B, Table of Class Lives and Recovery Periods, in this publication.



3-year property.

- Tractor units for over-the-road use.
- Any race horse over 2 years old when placed in service.
- Any other horse (other than a race horse) over 12 years old when placed in service.
- Qualified rent-to-own property (defined later).

5-year property.

- Automobiles, taxis, buses, and trucks.
- Any qualified technological equipment.
- Office machinery (such as typewriters, calculators, and copiers).
- Any property used in research and experimentation.
- Breeding cattle and dairy cattle.
- Appliances, carpets, furniture, etc., used in a residential rental real estate activity.
- Certain geothermal, solar, and wind energy property.
- Any machinery equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) used in a farming business and placed in service after 2017, in tax years ending after 2017. The original use of the property must begin with you after 2017.

7-year property.

Office furniture and fixtures (such as desks, files, and safes).

Used agricultural machinery and equipment placed in service after 2017, grain bins, cotton ginning assets, or fences used in a farming business (but no other land improvements).

Railroad track.

Any property that does not have a class life and has not been designated by law as being in any other class.

Certain motorsports entertainment complex property (defined later).

Any natural gas gathering line placed in service after April 11, 2005. See *Natural gas gathering line and electric transmission property*, later.

10-year property.

Vessels, barges, tugs, and similar water transportation equipment.

Any single-purpose agricultural or horticultural structure.

Any tree or vine bearing fruits or nuts.

Qualified small electric meter and qualified smart electric grid system (defined later) placed in serv-ice on or after October 3, 2008.

15-year property.

- Certain improvements made directly to land or added to it (such as shrubbery, fences, roads, sidewalks, and bridges).
- Any retail motor fuels outlet (defined later), such as a convenience store.
- Any municipal wastewater treatment plant.
- Initial clearing and grading land improvements for gas utility property.
- Electric transmission property (that is section 1245 property) used in the transmission at 69 or more kilovolts of electricity placed in service after April 11, 2005. See *Natural gas gathering line and electric transmission property*, later.
- Any natural gas distribution line placed in service after April 11, 2005, and before January 1, 2011.
- Any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications.
- Qualified improvement property (defined later) placed in service after 2017.

20-year property.

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. This class is water utility property, which is either of the following.

Property that is an integral part of the gathering, treatment, or commercial distribution of water, and that, without regard to this provision, would be 20-year property.

Municipal sewers other than property placed in service under a binding contract in effect at all times since June 9, 1996.

Residential rental property.

This is any building or structure, such as a rental home (including a mobile home), if 80% or more of its gross rental income for the tax year is from dwelling units. A dwelling unit is a house or apartment used to provide living accommodations in a building or structure.

It does not include a unit in a hotel, motel, or other establishment where more than half the units are used on a transient basis. If you occupy any part of the building or structure for personal use, its gross rental income includes the fair rental value of the part you occupy.

Nonresidential real property.

- This is section 1250 property, such as an office building, store, or warehouse, that is neither residential rental property nor property with a class life of less than 27.5 years.

Qualified rent-to-own property.

Qualified rent-to-own property is property held by a rent-to-own dealer for purposes of being subject to a rent-to-own contract. It is tangible personal property generally used in the home for personal use.

It includes computers and peripheral equipment, televisions, videocassette recorders, stereos, camcorders, appliances, furniture, washing machines and dryers, refrigerators, and other similar consumer durable property. Consumer durable property does not include real property, aircraft, boats, motor vehicles, or trailers.

If some of the property you rent to others under a rent-to-own agreement is of a type that may be used by the renters for either personal or business purposes, you can still treat this property as qualified property as long as it does not represent a significant portion of your leasing property.

However, if this dual-use property does represent a significant portion of your leasing property, you must prove that this property is qualified rent-to-own property.

Rent-to-own dealer. You are a rent-to-own dealer if you meet all the following requirements.

You regularly enter into rent-to-own contracts (defined below) in the ordinary course of your business for the use of consumer property.

A substantial portion of these contracts end with the customer returning the property before making all the payments required to transfer ownership.

The property is tangible personal property of a type generally used within the home for personal use.

Rent-to-own contract. This is any lease for the use of consumer property between a rent-to-own dealer and a customer who is an individual, which meets all of the following requirements.

Is titled "Rent-to-Own Agreement," "Lease Agreement with Ownership Option," or other similar language.

Provides a beginning date and a maximum period of time, not to exceed 156 weeks or 36 months from the beginning date, for which the contract can be in effect (including renewals or options to extend).

Provides for regular periodic (weekly or monthly) payments that can be either level or decreasing. If the payments are decreasing, no payment can be less than 40% of the largest payment.

Provides for total payments that generally exceed the normal retail price of the property plus interest.

Provides for total payments that do not exceed $10,000 for each item of property.

Provides that the customer has no legal obligation to make all payments outlined in the contract and that, at the end of each weekly or monthly payment period, the customer can either continue to use the property by making the next payment or return the property in good working order with no further obligations and no entitlement to a return of any prior payments.

Provides that legal title to the property remains with the rent-to-own dealer until the customer makes either all the required payments or the early purchase payments required under the contract to acquire legal title.

Provides that the customer has no right to sell, sub-lease, mortgage, pawn, pledge, or otherwise dispose of the property until all contract payments have been made.

- This is a racing track facility permanently situated on land that hosts one or more racing events for automobiles, trucks, or motorcycles during the 36-month period after the first day of the month in which the facility is placed in service.
- The events must be open to the public for the price of admission.

Motorsports entertainment complex.

Qualified smart electric grid system.

A qualified smart electric grid system means any smart grid property used as part of a system for electric distribution grid communications, monitoring, and management placed in service after October 3, 2008, by a taxpayer who is a supplier of electrical energy or a provider of electrical energy serv-ices. Smart grid property includes electronics and related equipment that is capable of:

Sensing, collecting, and monitoring data of or from all portions of a utility's electric distribution grid;

Providing real-time, two-way communications to monitor or to manage the grid; and

Providing real-time analysis of an event prediction based on collected data that can be used to provide electric distribution system reliability, quality, and performance.

Retail motor fuels outlet.

Real property is a retail motor fuels outlet if it is used to a substantial extent in the retail marketing of petroleum or petroleum products (whether or not it is also used to sell food or other convenience items) and meets any one of the following three tests.

It is not larger than 1,400 square feet.

50% or more of the gross revenues generated from the property are derived from petroleum sales.

50% or more of the floor space in the property is devoted to petroleum marketing sales.

A retail motor fuels outlet does not include any facility related to petroleum and natural gas trunk pipelines.

Qualified improvement property.

Generally, this is any improvement to an interior part of a building that is nonresidential real property, and the improvement is section 1250 property, is made by you, and is placed in service by you after 2017 and after the date the building was first placed in service by any person.

However, a qualified improvement does not include any improvement for which the expenditure is attributable to any of the following.

- The enlargement of the building.
- Any elevator or escalator.
- The internal structural framework of the building.

Qualified smart electric meter. A qualified smart electric meter is any time-based meter and related communication equipment, which is placed in service by a supplier of electric energy or a provider of electric energy services and which is capable of being used by you as part of a system that meets all of the following requirements.

- Measures and records electricity usage data on a time-differentiated basis in at least 24 separate time segments per day.
- Provides for the exchange of information between the supplier or provider and the customer's smart electric meter in support of time-based rates or other forms of demand response.
- Provides data to the supplier or provider so that the supplier or provider can provide energy usage information to customers electronically.
- Provides all commercial and residential customers of such supplier or provider with net metering. Net metering means allowing a customer a credit, if any, as complies with applicable federal and state laws and regulations for providing electricity to the supplier or provider.

Natural gas gathering line and electric transmission property.

- Any natural gas gathering line placed in service after April 11, 2005, is treated as 7-year property, and electric transmission property (that is section 1245 property) used in the transmission at 69 or more kilovolts of electricity and any natural gas distribution line placed in service after April 11, 2005, are treated as 15-year property, if the following requirements are met.

The original use of the property must have begun with you after April 11, 2005. Original use means the first use to which the property is put, whether or not by you. Therefore, property used by any person before April 12, 2005, is not original use. Original use includes additional capital expenditures you incurred to recondition or rebuild your property.

However, original use does not include the cost of reconditioned or re-built property you acquired. Property containing used parts will not be treated as reconditioned or rebuilt if the cost of the used parts is not more than 20% of the total cost of the property.

The property must not be placed in service under a binding contract in effect before April 12, 2005.

The property must not be self-constructed property (property you manufacture, construct, or produce for your own use), if you began the manufacture, construction, or production of the property before April 12, 2005.

Property that is manufactured, constructed, or produced for your use by another person under a writ-ten binding contract entered into by you or a related party before the manufacture, construction, or production of the property is considered to be manufactured, constructed, or produced by you.

Income Tax

2023-2024

MACRS Depreciation - What Is the Basis for Depreciation?

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	Itemized Deduction
=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a	
b	Household employee wages not reported on Form(s) W-2			1b	
c	Tip income not reported on line 1a (see instructions)			1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d	
e	Taxable dependent care benefits from Form 2441, line 26			1e	
f	Employer-provided adoption benefits from Form 8839, line 29			1f	
g	Wages from Form 8919, line 6			1g	
h	Other earned income (see instructions)			1h	
i	Nontaxable combat pay election (see instructions)	1i			
z	Add lines 1a through 1h			1z	

Attach Sch. B if required.

2a	Tax-exempt interest	2a		b	Taxable interest	2b	
3a	Qualified dividends	3a		b	Ordinary dividends	3b	
4a	IRA distributions	4a		b	Taxable amount	4b	
5a	Pensions and annuities	5a		b	Taxable amount	5b	
6a	Social security benefits	6a		b	Taxable amount	6b	

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			**1**	
2a	Alimony received			**2a**	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			**3**	
4	Other gains or (losses). Attach Form 4797			**4**	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			**5**	
6	Farm income or (loss). Attach Schedule F			**6**	
7	Unemployment compensation			**7**	
8	Other income:				
a	Net operating loss	**8a**	( )		
b	Gambling	**8b**			
c	Cancellation of debt	**8c**			
d	Foreign earned income exclusion from Form 2555	**8d**	( )		
e	Income from Form 8853	**8e**			
f	Income from Form 8889	**8f**			
g	Alaska Permanent Fund dividends	**8g**			
h	Jury duty pay	**8h**			

SCHEDULE C (Form 1040)

Department of the Treasury Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

What Is the Basis for Depreciation?

The basis for depreciation of MACRS property is the property's cost or other basis multiplied by the percentage of business/invest ment use.	For a discussion of business/invest ment use, see *Partial business or investment use* under *Property Used in Your Business or Income-Producing Activity* in chapter 1.	Reduce that amount by any cred-its and deductions allocable to the property. The following are examples of some credits and deductions that reduce basis.

- Any deduction for section 179 property.
- Any deduction under section 179B of the Internal Revenue Code for capital costs to comply with Environ-mental Protection Agency sulfur regulations.
- Any deduction under section 179D of the Internal Revenue Code for certain energy efficient commercial building property.
- Any deduction for removal of barriers to the disabled and the elderly.
- Any disabled access credit, enhanced oil recovery credit, and credit for employer-provided childcare facilities and services.
- Any special depreciation allowance.
- Basis adjustment for investment credit property under section 50(c) of the Internal Revenue Code.
- Basis adjustment for advanced manufacturing invest-ment credit property. See section 48D(d)(5) of the In-ternal Revenue Code.

For additional credits and deductions that affect basis, see section 1016 of the Internal Revenue Code.

Enter the basis for depreciation under column (c) in Part III of Form 4562. For information about how to determine the cost or other basis of property, see *What Is the Basis of Your Depreciable Property?* in chapter 1.

Income Tax

2023-2024

MACRS Depreciation - Which Recovery Period Applies?

Publication 946
Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing

2023 Returns

	Income
-	Adjustments to Income
=	Adjusted Gross Income (AGI)
-	Greater of:
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=	Taxable Income
x	Tax Rates (Tax Tables)
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	Tax Payments & Refundable Credits
=	Tax Refund or Tax Due

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

Attach Sch. B if required.

Standard Deduction for—

- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)			1a
b	Household employee wages not reported on Form(s) W-2			1b
c	Tip income not reported on line 1a (see instructions)			1c
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)			1d
e	Taxable dependent care benefits from Form 2441, line 26			1e
f	Employer-provided adoption benefits from Form 8839, line 29			1f
g	Wages from Form 8919, line 6			1g
h	Other earned income (see instructions)			1h
i	Nontaxable combat pay election (see instructions)	1i		
z	Add lines 1a through 1h			1z
2a	Tax-exempt interest	2a	b Taxable interest	2b
3a	Qualified dividends	3a	b Ordinary dividends	3b
4a	IRA distributions	4a	b Taxable amount	4b
5a	Pensions and annuities	5a	b Taxable amount	5b
6a	Social security benefits	6a	b Taxable amount	6b
c	If you elect to use the lump-sum election method, check here (see instructions) ☐			
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐			7
8	Additional income from Schedule 1, line 10			8
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**			9
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11	Subtract line 10 from line 9. This is your **adjusted gross income**			11
12	**Standard deduction or itemized deductions** (from Schedule A)			12
13	Qualified business income deduction from Form 8995 or Form 8995-A			13
14	Add lines 12 and 13			14
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**			15

SCHEDULE 1 (Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			

SCHEDULE C (Form 1040)

Department of the Treasury
Internal Revenue Service

Profit or Loss From Business

(Sole Proprietorship)

Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.

Go to *www.irs.gov/ScheduleC* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**

A	Principal business or profession, including product or service (see instructions)	**B** **Enter code from instructions**
C	Business name. If no separate business name, leave blank.	**D** **Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II **Expenses.** Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

Which Recovery Period Applies?

- The recovery period of property is the number of years over which you recover its cost or other basis.
- It is determined based on the depreciation system (GDS or ADS) used.

Recovery Periods Under GDS

- Under GDS, property is depreciated over one of the fol-lowing recovery periods.

Property Class	Recovery Period
3-year property...............	3 years1
5-year property...............	5 years
7-year property...............	7 years
10-year property..............	10 years
15-year property..............	15 years
20-year property..............	20 years
25-year property..............	25 years
Residential rental property......	27.5 years
Nonresidential real property.....	39 years

Property Class	Recovery Period
3-year property	3 years[1]
5-year property	5 years
7-year property	7 years
10-year property	10 years
15-year property	15 years[2]
20-year property	20 years
25-year property	25 years[3]
Residential rental property	27.5 years
Nonresidential real property	39 years[4]

[1] 5 years for qualified rent-to-own property placed in service before August 6, 1997.

[2] 39 years for property that is a retail motor fuels outlet placed in service before August 20, 1996 (31.5 years if placed in service before May 13, 1993), unless you elected to depreciate it over 15 years.

[3] 20 years for property placed in service before June 13, 1996, or under a binding contract in effect before June 10, 1996.

[4] 31.5 years for property placed in service before May 13, 1993 (or before January 1, 1994, if the purchase or construction of the property is under a binding contract in effect before May 13, 1993, or if construction began before May 13, 1993).

The GDS recovery periods for property not listed above can be found in Appendix B, Table of Class Lives and Recovery Periods.

Residential rental property and nonresidential real property are defined earlier under *Which Property Class Applies Under GDS*.

Enter the appropriate recovery period on Form 4562 under column (d) in Section B of Part III, unless already shown (for 25-year property, residential rental property, and nonresidential real property).

Office in the home.

If your home is a personal-use single family residence and you begin to use part of your home as an office, depreciate that part of your home as nonresidential real property over 39 years (31.5 years if you began using it for business before May 13, 1993).

However, if your home is an apartment in an apartment building that you own and the building is residential rental property, as defined earlier under *Which Property Class Applies Under GDS*, depreciate the part used as an office as residential rental property over 27.5 years.

See Pub. 587 for a discussion of the tests you must meet to claim expenses, including depreciation, for the business use of your home.

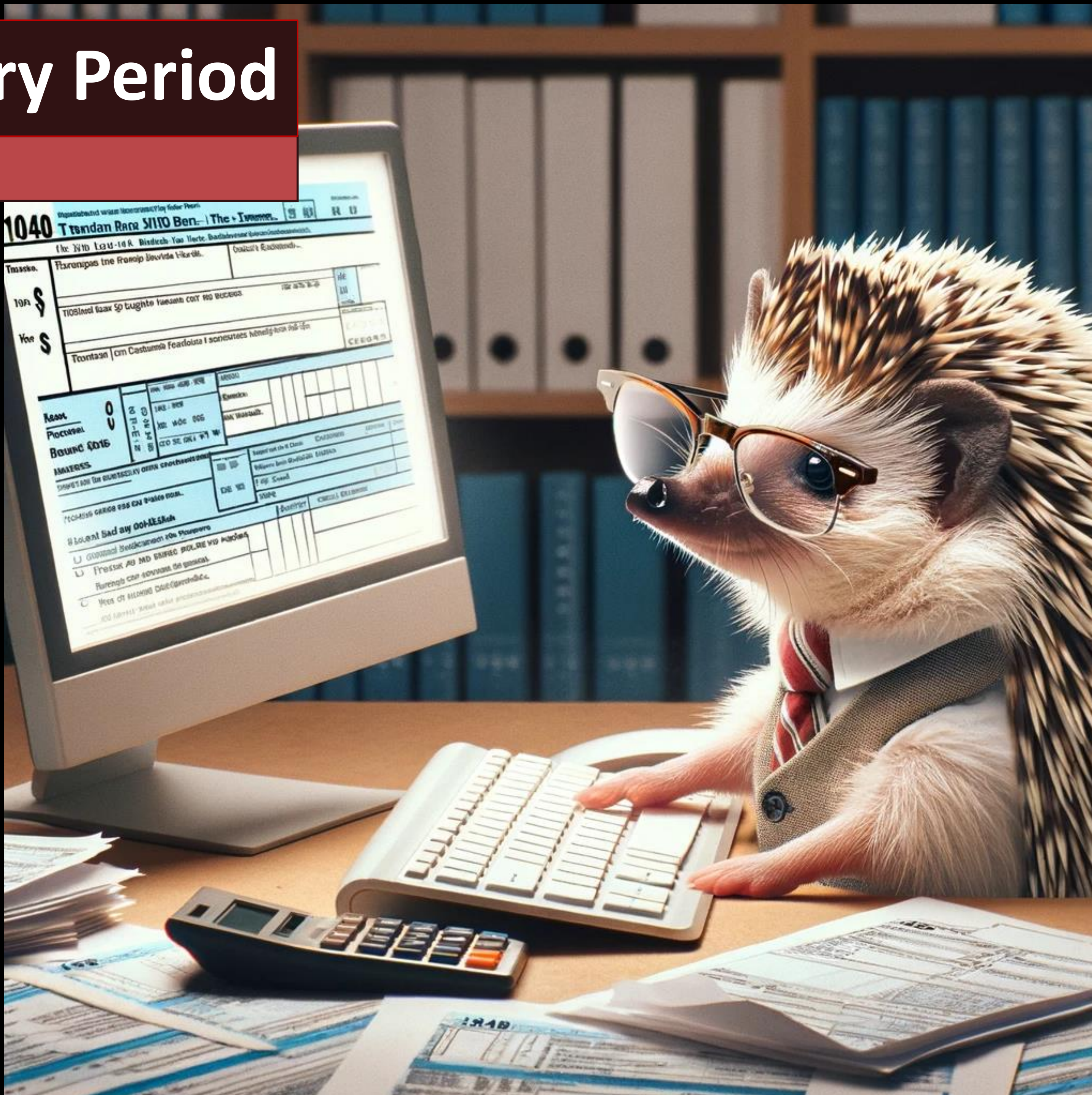
Home changed to rental use.

- If you begin to rent a home that was your personal home before 1987, you depreciate it as residential rental property over 27.5 years.

- The recovery periods for most property are generally longer under ADS than they are under GDS.
- The following table shows some of the ADS recovery periods.

Recovery Periods Under ADS

Property	Recovery Period
Rent-to-own property................	4 years
Automobiles and light duty trucks.......	5 years
Computers and peripheral equipment....	5 years
High technology telephone station equipment installed on customer premises.......................	5 years
High technology medical equipment.....	5 years
Personal property with no class life......	12 years
Natural gas gathering lines...........	14 years
Single-purpose agricultural and horticultural structures.............	15 years
Any tree or vine bearing fruits or nuts....	20 years



Property	Recovery Period
Initial clearing and grading land improvements for gas utility property...	20 years
Initial clearing and grading land improvements for electric utility transmission and distribution plants...	25 years
Electric transmission property used in the transmission at 69 or more kilovolts of electricity.......................	30 years
Natural gas distribution lines...........	35 years
Nonresidential real property...........	40 years
Residential rental property............	30 years
Section 1245 real property not listed in Appendix B.....................	40 years
Railroad grading and tunnel bore.......	50 years

Additions and Improvements –

- An addition or improvement you make to depreciable property is treated as separate depreciable property.
- See *How Do You Treat Repairs and Improvements?* in chapter 1 for a definition of improvements.
- Its property class and recovery period are the same as those that would apply to the original property if you had placed it in service at the same time you placed the addition or improvement in service.
- The recovery period begins on the later of the following dates.

The date you place the addition or improvement in service.	The date you place in service the property to which you made the addition or improvement.

Example.

You own a rental home that you have been renting out since 1981.

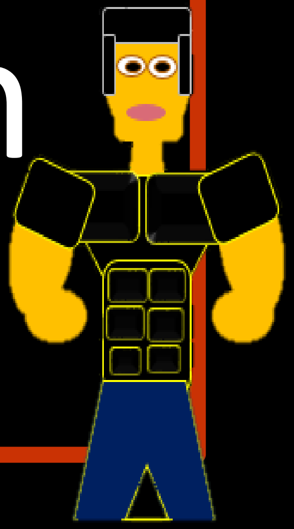
If you put an addition on the home and place the addition in service this year, you would use MACRS to figure your depreciation deduction for the addition.

Under GDS, the property class for the addition is residential rental property and its recovery period is 27.5 years because the home to which the addition is made would be residential rental property if you had placed it in service this year.

Income Tax

2023-2024

MACRS Depreciation - Which Convention Applies?



Publication 946
Cat. No. 13081F

How To Depreciate Property

- Section 179 Deduction
- Special Depreciation Allowance
- MACRS
- Listed Property

For use in preparing

2023 Returns

	Income
-	<u>Adjustments to Income</u>
=	Adjusted Gross Income (AGI)
-	Greater of:
	Standard Deduction or
	<u>Itemized Deduction</u>
=	Taxable Income
x	<u>Tax Rates (Tax Tables)</u>
=	Tax Before Credits & Other Taxes
- +	Tax Credits & Other Taxes
=	Total Tax
-	<u>Tax Payments & Refundable Credits</u>
=	<u>Tax Refund or Tax Due</u>

Income

Attach Form(s) W-2 here. Also attach Forms W-2G and 1099-R if tax was withheld.

If you did not get a Form W-2, see instructions.

1a	Total amount from Form(s) W-2, box 1 (see instructions)		1a	
b	Household employee wages not reported on Form(s) W-2		1b	
c	Tip income not reported on line 1a (see instructions)		1c	
d	Medicaid waiver payments not reported on Form(s) W-2 (see instructions)		1d	
e	Taxable dependent care benefits from Form 2441, line 26		1e	
f	Employer-provided adoption benefits from Form 8839, line 29		1f	
g	Wages from Form 8919, line 6		1g	
h	Other earned income (see instructions)		1h	
i	Nontaxable combat pay election (see instructions)	1i		
z	Add lines 1a through 1h		1z	

Attach Sch. B if required.

2a	Tax-exempt interest	2a		b Taxable interest	2b
3a	Qualified dividends	3a		b Ordinary dividends	3b
4a	IRA distributions	4a		b Taxable amount	4b
5a	Pensions and annuities	5a		b Taxable amount	5b
6a	Social security benefits	6a		b Taxable amount	6b

Standard Deduction for—
- Single or Married filing separately, $13,850
- Married filing jointly or Qualifying surviving spouse, $27,700
- Head of household, $20,800
- If you checked any box under *Standard Deduction*, see instructions.

c	If you elect to use the lump-sum election method, check here (see instructions) ☐		
7	Capital gain or (loss). Attach Schedule D if required. If not required, check here ☐	7	
8	Additional income from Schedule 1, line 10	8	
9	Add lines 1z, 2b, 3b, 4b, 5b, 6b, 7, and 8. This is your **total income**	9	
10	Adjustments to income from Schedule 1, line 26	10	
11	Subtract line 10 from line 9. This is your **adjusted gross income**	11	
12	**Standard deduction or itemized deductions** (from Schedule A)	12	
13	Qualified business income deduction from Form 8995 or Form 8995-A	13	
14	Add lines 12 and 13	14	
15	Subtract line 14 from line 11. If zero or less, enter -0-. This is your **taxable income**	15	

SCHEDULE 1 (Form 1040)

Department of the Treasury Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2023

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR	**Your social security number**

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes			1	
2a	Alimony received			2a	
b	Date of original divorce or separation agreement (see instructions):				
3	Business income or (loss). Attach Schedule C			3	
4	Other gains or (losses). Attach Form 4797			4	
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E			5	
6	Farm income or (loss). Attach Schedule F			6	
7	Unemployment compensation			7	
8	Other income:				
a	Net operating loss	8a	( )		
b	Gambling	8b			
c	Cancellation of debt	8c			
d	Foreign earned income exclusion from Form 2555	8d	( )		
e	Income from Form 8853	8e			
f	Income from Form 8889	8f			
g	Alaska Permanent Fund dividends	8g			
h	Jury duty pay	8h			

SCHEDULE C (Form 1040) Department of the Treasury Internal Revenue Service	**Profit or Loss From Business** (Sole Proprietorship) **Attach to Form 1040, 1040-SR, 1040-SS, 1040-NR, or 1041; partnerships must generally file Form 1065.** **Go to *www.irs.gov/ScheduleC* for instructions and the latest information.**	OMB No. 1545-0074 **2023** Attachment Sequence No. **09**

Name of proprietor	**Social security number (SSN)**
A Principal business or profession, including product or service (see instructions)	**B Enter code from instructions**
C Business name. If no separate business name, leave blank.	**D Employer ID number (EIN)** (see instr.)

E Business address (including suite or room no.)

City, town or post office, state, and ZIP code

F Accounting method: **(1)** ☐ Cash **(2)** ☐ Accrual **(3)** ☐ Other (specify)

G Did you “materially participate” in the operation of this business during 2023? If “No,” see instructions for limit on losses . ☐ **Yes** ☐ **No**

H If you started or acquired this business during 2023, check here . . . . ☐

I Did you make any payments in 2023 that would require you to file Form(s) 1099? See instructions . . . . ☐ **Yes** ☐ **No**

J If “Yes,” did you or will you file required Form(s) 1099? . . . . ☐ **Yes** ☐ **No**

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the “Statutory employee” box on that form was checked . . . . ☐	1	
2	Returns and allowances	2	
3	Subtract line 2 from line 1	3	
4	Cost of goods sold (from line 42)	4	
5	**Gross profit.** Subtract line 4 from line 3	5	
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	
7	**Gross income.** Add lines 5 and 6	7	

Part II Expenses. Enter expenses for business use of your home **only** on line 30.

8	Advertising	8		18	Office expense (see instructions) .	18	

MACRS Depreciation - Which Convention Applies?

Under MACRS, averaging conventions establish when the recovery period begins and ends.

The convention you use determines the number of months for which you can claim depreciation in the year you place property in service and in the year you dispose of the property.

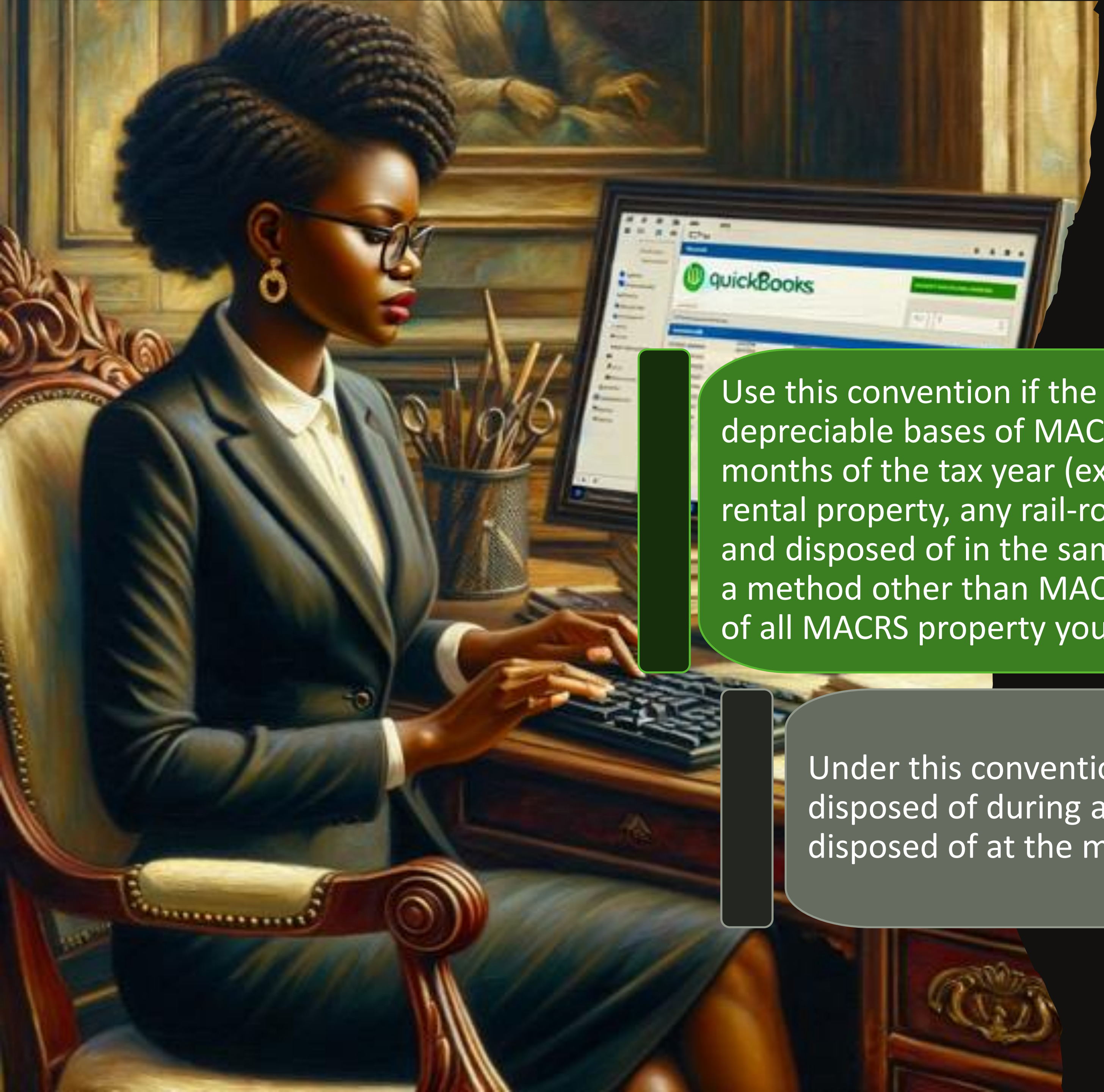
The mid-month convention.

Use this convention for nonresidential real property, residential rental property, and any railroad grading or tunnel bore.

Under this convention, you treat all property placed in service or disposed of during a month as placed in service or disposed of at the midpoint of the month.

This means that a one-half month of depreciation is allowed for the month the property is placed in service or disposed of.

Your use of the mid-month convention is indicated by the “MM” already shown under column (e) in Part III of Form 4562.



The mid-quarter convention.

Use this convention if the mid-month convention does not apply and the total depreciable bases of MACRS property you placed in service during the last 3 months of the tax year (excluding nonresidential real property, residential rental property, any rail-road grading or tunnel bore, property placed in service and disposed of in the same year, and property that is being depreciated under a method other than MACRS) are more than 40% of the total depreciable bases of all MACRS property you placed in service during the entire year.

Under this convention, you treat all property placed in service or disposed of during any quarter of the tax year as placed in service or disposed of at the midpoint of that quarter.

If you use this convention, enter “MQ” under column (e) in Part III of Form 4562.

Caution

For purposes of determining whether the mid-quarter convention applies, the depreciable basis of property you placed in service during the tax year reflects the reduction in basis for amounts expensed under section 179 and the part of the basis of property attributable to personal use.

However, it does not reflect any reduction in basis for any special depreciation allowance.

The half-year convention.

Use this convention if neither the mid-quarter convention nor the mid-month convention applies.

Under this convention, you treat all property placed in service or disposed of during a tax year as placed in service or disposed of at the midpoint of the year.

This means that for a 12-month tax year, a one-half year of depreciation is allowed for the year the property is placed in service or disposed of.