

# How and When Should You Depreciate an Item?

## Step 1: Does it cost more than \$2,500?

If yes, go to step 2.

If no, deduct it in one year. If it's part of a home improvement, see step 4.

## Step 2: Is it a repair?

If yes, deduct it in one year, regardless of the cost.

If no, go to step 3.

## Step 3: Choose a depreciation category.

- Office equipment (computer, printer, copy machine, etc.)
- Personal property (furniture, appliances, play equipment, etc.)
- Land improvement (fence, patio, driveway, etc.)
- Home improvement (house, deck, new addition, major remodeling, etc.)

## Step 4: Follow the directions for each depreciation category.

### Office equipment

- If you use less than 50% for your business: depreciate over 5 years
- If you use 50% or more for your business
  - If new, use Section 179 rule, or bonus depreciation rule and depreciate over 5 years
  - If used, use Section 179 rule

### Personal property

- If you use less than 50% for your business:
  - If new, use bonus depreciation rule and depreciate over 7 years
  - If used, depreciate over 7 years
- If you use 50% or more for your business:
  - If new, use Section 179 rule, or bonus depreciation rule and depreciate over 7 years
  - If used, use Section 179 rule or depreciate over 7 years

### Land improvement

- Does the Safe Harbor for Small Taxpayers rule apply?
  - If yes, deduct in one year
  - If no:
    - If new, use bonus depreciation rule and depreciate over 15 years
    - If used, depreciate over 15 years

### Home improvement

- Does the Safe Harbor for Small Taxpayers rule apply?
  - If yes, deduct in one year
  - If no:
    - Is it interior remodeling, or adding an addition or deck?
      - If yes, depreciate over 39 years
      - If no, use bonus depreciation rule and depreciate over 39 years

I've written articles on my website ([www.tomcopelandblog.com](http://www.tomcopelandblog.com)) explaining in detail:

- The expanded definition of what is a repair vs. a home improvement
- The Section 179 rule
- The bonus depreciation rule
- The Safe Harbor for Small Taxpayers rule