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Internal Revenue Code Section 168(g)

Accelerated Cost Recovery System



- (g) Alternative depreciation system for certain property.

- (1) In general.

In the case of-

- (A) any tangible property which during the taxable year is used predominantly outside the United States,
- (B) any tax-exempt use property,
- (C) any tax-exempt bond financed property,
- (D) any imported property covered by an Executive order under paragraph (6),
- (E) any property to which an election under paragraph (7) applies,
- (F) any property described in paragraph (8), and
- (G) any property with a recovery period of 10 years or more which is held by an electing farming business (as defined in section 163(j)(7)(C)),

the depreciation deduction provided by section 167(a) shall be determined under the alternative depreciation system.

- (2) Alternative depreciation system.

For purposes of paragraph (1), the alternative depreciation system is depreciation determined by using-

- (A) the straight line method (without regard to salvage value),

- (B) the applicable convention determined under subsection (d), and

- (C) a recovery period determined under the following table:

In the case of:

- (i) Property not described in clause (ii) or (iii)
- (ii) Personal property with no class life
- (iii) Residential rental property
- (iv) Nonresidential real property
- (v) Any railroad grading or tunnel bore or water utility property

The recovery period shall be:

- The class life.
- 12 years.
- 30 years.
- 40 years.
- 50 years.

- (3) Special rules for determining class life.

(A) Tax-exempt use property subject to lease. In the case of any tax-exempt use property subject to a lease, the recovery period used for purposes of paragraph (2) shall (notwithstanding any other subparagraph of this paragraph) in no event be less than 125 percent of the lease term.

(B) Special rule for certain property assigned to classes. For purposes of paragraph (2) , in the case of property described in any of the following subparagraphs of subsection (e)(3) , the class life shall be determined as follows:

If property is described in subparagraph: The class life is:

(A)(iii)	4
(B)(ii)	5
(B)(iii)	9.5
(B)(vii)	10
(C)(i)	10
(C)(iii)	22
(C)(iv)	14
(D)(i)	15
(D)(ii)	20
(D)(v)	20
(E)(i)	24
(E)(ii)	24
(E)(iii)	20
(E)(iv)	20
(E)(v)	30
(E)(vi)	35
(E)(vii)	30
(E)(viii)	35
(E)(ix)	39
(F)	25

(C) Qualified technological equipment. In the case of any qualified technological equipment, the recovery period used for purposes of paragraph (2) shall be 5 years.

(D) Automobiles, etc. In the case of any automobile or light general purpose truck, the recovery period used for purposes of paragraph (2) shall be 5 years.

(E) Certain real property. In the case of any section 1245 property which is real property with no class life, the recovery period used for purposes of paragraph (2) shall be 40 years.

(4) Exception for certain property used outside United States.

Subparagraph (A) of paragraph (1) shall not apply to-

(A) any aircraft which is registered by the Administrator of the Federal Aviation Agency and which is operated to and from the United States or is operated under contract with the United States;

(B) rolling stock which is used within and without the United States and which is-

- (i) of a rail carrier subject to part A of subtitle IV of title 49, or
 - (ii) of a United States person (other than a corporation described in clause (i)) but only if the rolling stock is not leased to one or more foreign persons for periods aggregating more than 12 months in any 24-month period;
- (C) any vessel documented under the laws of the United States which is operated in the foreign or domestic commerce of the United States;
- (D) any motor vehicle of a United States person (as defined in section 7701(a)(30)) which is operated to and from the United States;
- (E) any container of a United States person which is used in the transportation of property to and from the United States;
- (F) any property (other than a vessel or an aircraft) of a United States person which is used for the purpose of exploring for, developing, removing, or transporting resources from the outer Continental Shelf (within the meaning of section 2 of the Outer Continental Shelf Lands Act, as amended and supplemented; (43 U.S.C. 1331));
- (G) any property which is owned by a domestic corporation or by a United States citizen (other than a citizen entitled to the benefits of section 931 or 933) and which is used predominantly in a possession of the United States by such a corporation or such a citizen, or by a corporation created or organized in, or under the law of, a possession of the United States;
- (H) any communications satellite (as defined in section 103(3) of the Communications Satellite Act of 1962, 47 U.S.C. 702(3)), or any interest therein, of a United States person;
- (I) any cable, or any interest therein, of a domestic corporation engaged in furnishing telephone service to which section 168(i)(10)(C) applies (or of a wholly owned domestic subsidiary of such a corporation), if such cable is part of a submarine cable system which constitutes part of a communication link exclusively between the United States and one or more foreign countries;
- (J) any property (other than a vessel or an aircraft) of a United States person which is used in international or territorial waters within the northern portion of the Western Hemisphere for the purpose of exploring for, developing, removing, or transporting resources from ocean waters or deposits under such waters;
- (K) any property described in section 48(l)(3)(A)(ix) (as in effect on the day before the date of the enactment of the Revenue Reconciliation Act of 1990) which is owned by a United States person and which is used in international or territorial waters to generate energy for use in the United States; and

(L) any satellite (not described in subparagraph (H)) or other spacecraft (or any interest therein) held by a United States person if such satellite or other spacecraft was launched from within the United States.

For purposes of subparagraph (J) , the term "northern portion of the Western Hemisphere" means the area lying west of the 30th meridian west of Greenwich, east of the international dateline, and north of the Equator, but not including any foreign country which is a country of South America.

(5) Tax-exempt bond financed property.

For purposes of this subsection -

(A) In general. Except as otherwise provided in this paragraph , the term "tax-exempt bond financed property" means any property to the extent such property is financed (directly or indirectly) by an obligation the interest on which is exempt from tax under section 103(a) .

(B) Allocation of bond proceeds. For purposes of subparagraph (A) , the proceeds of any obligation shall be treated as used to finance property acquired in connection with the issuance of such obligation in the order in which such property is placed in service.

(C) Qualified residential rental projects. The term "tax-exempt bond financed property" shall not include any qualified residential rental project (within the meaning of section 142(a)(7)).

(6) Imported property.

(A) Countries maintaining trade restrictions or engaging in discriminatory acts. If the President determines that a foreign country-

(i) maintains nontariff trade restrictions, including variable import fees, which substantially burden United States commerce in a manner inconsistent with provisions of trade agreements, or

(ii) engages in discriminatory or other acts (including tolerance of international cartels) or policies unjustifiably restricting United States commerce,

the President may by Executive order provide for the application of paragraph (1)(D) to any article or class of articles manufactured or produced in such foreign country for such period as may be provided by such Executive order. Any period specified in the preceding sentence shall not apply to any property ordered before (or the construction, reconstruction, or erection of which began before) the date of the Executive order unless the President determines an earlier date to be in the public interest and specifies such date in the Executive order.

(B) Imported property. For purposes of this subsection , the term "imported property" means any property if-

(i) such property was completed outside the United States, or

- (ii) less than 50 percent of the basis of such property is attributable to value added within the United States.

For purposes of this subparagraph , the term "United States" includes the Commonwealth of Puerto Rico and the possessions of the United States.

(7) Election to use alternative depreciation system.

(A) In general. If the taxpayer makes an election under this paragraph with respect to any class of property for any taxable year, the alternative depreciation system under this subsection shall apply to all property in such class placed in service during such taxable year. Notwithstanding the preceding sentence, in the case of nonresidential real property or residential rental property, such election may be made separately with respect to each property.

(B) Election irrevocable. An election under subparagraph (A) , once made, shall be irrevocable.

(8) Electing real property trade or business.

The property described in this paragraph shall consist of any nonresidential real property, residential rental property, and qualified improvement property held by an electing real property trade or business (as defined in 163(j)(7)(B)).

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