



[CLICK HERE to return to the home page](#)

Internal Revenue Code Section 168(e)(6)

Accelerated cost recovery system

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(e) Classification of property.

For purposes of this section -

(1) In general.

Except as otherwise provided in this subsection, property shall be classified under the following table:

Property shall be treated as:	If such property has a class life (in years) of:
3-year property	4 or less
5-year property	More than 4 but less than 10
7-year property	10 or more but less than 16
10-year property	16 or more but less than 20
15-year property	20 or more but less than 25
20-year property	25 or more.

(2) Residential rental or nonresidential real property.

(A) Residential rental property.

(i) Residential rental property. The term "residential rental property" means any building or structure if 80 percent or more of the gross rental income from such building or structure for the taxable year is rental income from dwelling units.

(ii) Definitions. For purposes of clause (i) -

(I) the term "dwelling unit" means a house or apartment used to provide living accommodations in a building or structure, but does not include a unit in a hotel, motel, or other establishment more than one-half of the units in which are used on a transient basis, and

(II) if any portion of the building or structure is occupied by the taxpayer, the gross rental income from such building or structure shall include the rental value of the portion so occupied.

(B) Nonresidential real property. The term "nonresidential real property" means section 1250 property which is not-

(i) residential rental property, or

(ii) property with a class life of less than 27.5 years.

(3) Classification of certain property.

- (A) 3-year property. The term "3-year property" includes-
- (i) any race horse-
 - (I) which is placed in service before January 1, 2022, and
 - (II) which is placed in service after December 31, 2021, and which is more than 2 years old at the time such horse is placed in service by such purchaser,
 - (ii) any horse other than a race horse which is more than 12 years old at the time it is placed in service, and
 - (iii) any qualified rent-to-own property.

- (B) 5-year property. The term "5-year property" includes-
- (i) any automobile or light general purpose truck,
 - (ii) any semi-conductor manufacturing equipment,
 - (iii) any computer-based telephone central office switching equipment,
 - (iv) any qualified technological equipment,
 - (v) any section 1245 property used in connection with research and experimentation,
 - (vi) any property which-
 - (I) is described in subparagraph (A) of section 48(a)(3) (or would be so described if "solar or wind energy" were substituted for "solar energy" in clause (i) thereof and the last sentence of such section did not apply to such subparagraph),
 - (II) is described in paragraph (15) of section 48(l) (as in effect on the day before the date of the enactment [11/5/90] of the Revenue Reconciliation Act of 1990) and has a power production capacity of not greater than 80 megawatts, or

Note: Section 168(e)(3)(B)(vi)(III), below, applies to facilities and property placed in service before January 1, 2025.

(III) is 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), and

Note: Section 168(e)(3)(B)(vi)(III), below, applies to facilities and property placed in service after December 31, 2024.

(III) is 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),

Note: Section 168(e)(3)(B)(vii), below, applies to facilities and property placed in service before January 1, 2025.

(vii) any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) which is used in a farming business (as defined in section 263A(e)(4)), the original use of which commences with the taxpayer after December 31, 2017.

Note: Section 168(e)(3)(B)(vii), below, applies to facilities and property placed in service after 12/31/2024.

(vii) any machinery or equipment (other than any grain bin, cotton ginning asset, fence, or other land improvement) which is used in a farming business (as defined in section 263A(e)(4)), the original use of which commences with the taxpayer after December 31, 2017 , and

Note: Section 168(e)(3)(B)(viii), below, applies to facilities and property placed in service after 12/31/2024.

(viii) any qualified facility (as defined in section 45Y(b)(1)(A)), any qualified property (as defined in subsection (b)(2) of section 48E) which is a qualified investment (as defined in subsection (b)(1) of such section), or any energy storage technology (as defined in subsection (c)(2) of such section).

Nothing in any provision of law shall be construed to treat property as not being described in subclause (I) or (II) of clause (vi) by reason of being public utility property.

(C) 7-year property. The term "7-year property" includes-

(i) any railroad track,

(ii) any motorsports entertainment complex,

(iii) any Alaska natural gas pipeline,

(iv) any natural gas gathering line the original use of which commences with the taxpayer after April 11, 2005, and

(v) any property which-

(I) does not have a class life, and

(II) is not otherwise classified under paragraph (2) or this paragraph .

(D) 10-year property. The term "10-year property" includes-

(i) any single purpose agricultural or horticultural structure (within the meaning of subsection (i)(13)),

- (ii) any tree or vine bearing fruit or nuts,
- (iii) any qualified smart electric meter, and
- (iv) any qualified smart electric grid system.

(E) 15-year property. The term "15-year property" includes-

- (i) any municipal wastewater treatment plant,
- (ii) any telephone distribution plant and comparable equipment used for 2-way exchange of voice and data communications,
- (iii) any section 1250 property which is a retail motor fuels outlet (whether or not food or other convenience items are sold at the outlet),
- (iv) initial clearing and grading land improvements with respect to gas utility property,
- (v) any section 1245 property (as defined in section 1245(a)(3)) used in the transmission at 69 or more kilovolts of electricity for sale and the original use of which commences with the taxpayer after April 11, 2005,
- (vi) any natural gas distribution line the original use of which commences with the taxpayer after April 11, 2005, and which is placed in service before January 1, 2011, and
- (vii) any qualified improvement property.

(F) 20-year property. The term "20-year property" means initial clearing and grading land improvements with respect to any electric utility transmission and distribution plant.

(4) Railroad grading or tunnel bore.

The term "railroad grading or tunnel bore" means all improvements resulting from excavations (including tunneling), construction of embankments, clearings, diversions of roads and streams, sodding of slopes, and from similar work necessary to provide, construct, reconstruct, alter, protect, improve, replace, or restore a roadbed or right-of-way for railroad track.

(5) Water utility property.

The term "water utility property" means property-

- (A) which is an integral part of the gathering, treatment, or commercial distribution of water, and which, without regard to this paragraph, would be 20-year property, and
- (B) any municipal sewer.

(6) Qualified improvement property.



(A) In general. The term "qualified improvement property" means any improvement made by the taxpayer to an interior portion of a building which is nonresidential real property if such improvement is placed in service after the date such building was first placed in service.

(B) Certain improvements not included. Such term shall not include any improvement for which the expenditure is attributable to-

(i) the enlargement of the building,

(ii) any elevator or escalator, or

(iii) the internal structural framework of the building.

(7) Repealed.

(8) Repealed.

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