

Recovery Period for Certain Personal Property Used in Rental Real Estate Activities; Correction

Announcement 99-82

The 1998 instructions for **Form 4562**, Depreciation and Amortization, and **Publication 527**, Residential Rental Property, classify certain personal property used in a rental real estate activity (appliances,

carpeting, furniture, etc.) as 7-year property. The correct classification is 5-year property. This property is included in Asset Class 57.0, Distributive Trades and Services (see Rev. Proc. 87-56, 1987-2 C.B. 674). Therefore, the correct recovery period to be used for the regular tax is 5 years under the General Depreciation System (GDS) and 9 years under the Alternative Depreciation System (ADS).

When using a 5-year recovery period for this property for the regular tax, any alternative minimum tax (AMT) adjustment generally must be figured using a 9-year recovery period. However, if the property was placed in service after 1998, the same recovery period applies for both the regular tax and the AMT.

The action, if any, to be taken is determined for each property based on when the property was placed in service.

- For property placed in service during any tax year for which a return has not yet been filed, taxpayers must use a 5-year recovery period under GDS (9 years under ADS). For the AMT, taxpayers must use a 9-year recovery period for property placed in service before 1999.
- For property placed in service during the most recent tax year for which a tax return has been filed, the taxpayer may do either of the following:
 1. Continue to depreciate the property using a 7-year recovery period under GDS (12 years under ADS). For the AMT, continue using a 12-year recovery period for property placed in service before 1999.
 2. File an amended return for that year to change the recovery period from 7 years to 5 years under GDS (12 years to 9 years under ADS). For the AMT, use a 9-year recovery period on that amended return for property placed in service before 1999.
- For property placed in service during any

tax year prior to the most recent tax year for which a tax return has been filed, the taxpayer may do either of the following:

1. Continue to depreciate the property using a 7-year recovery period under GDS (12 years under ADS). For the AMT, continue using a 12-year recovery period for property placed in service before 1999.
2. File **Form 3115**, Application for Change in Accounting Method, to change to a 5-year recovery period under GDS (9 years under ADS). Also use Form 3115 to change to a 9-year recovery period for the AMT for property placed in service before 1999. The change is automatic and no user fee is required, but Form 3115 must be filed. See Rev. Proc. 98-60, 1998-51 I.R.B. 16, for details on how to make the change and file Form 3115.

You can obtain Form 3115 and its separate instructions by telephone or by using IRS electronic information services. Approved July 20, 1999.

Sheldon D. Schwartz,
*National Director, Tax Forms
and Publications Division.*

Request by--	Number or Address
Telephone	1-800-TAX-FORM (1-800-829-3676)
Personal computer: World Wide Web File Transfer Protocol Telnet	www.irs.ustreas.gov ftp.irs.ustreas.gov iris.irs.ustreas.gov
Direct Dial (by modem)	703-321-8020