REFERENCE SHEET

Depreciation Methods Cheat Sheet

Straight-line, accelerated, MACRS, bonus depreciation, and Section 179 — on one page.

Book (GAAP) methods

Method	Formula	Best for
Straight-line	(Cost - Salvage) ÷ Useful life	Most assets; simplest and most common for financial statements
Double-declining balance	2 × (1 ÷ Life) × Beginning book value (never below salvage)	Assets that lose value quickly (technology, vehicles)
Sum-of-the-years'-digits	(Cost - Salvage) × Remaining life ÷ Sum of years	Accelerated, but less aggressive than DDB
Units of production	(Cost - Salvage) × Units this period ÷ Total expected units	Machinery where wear depends on use

Tax: MACRS (Modified Accelerated Cost Recovery System)

MACRS is the required tax method for most business property. It ignores salvage value and uses IRS-assigned recovery periods. Under the half-year convention, assets get a half year of depreciation in the year placed in service.

Recovery period	Common assets
3-year	Certain tools, tractor units, racehorses
5-year	Computers, office equipment, cars and light trucks, research equipment
7-year	Office furniture and fixtures, most machinery and equipment
15-year	Qualified improvement property, land improvements (fences, parking lots)
27.5-year	Residential rental property (straight-line)
39-year	Nonresidential real property (straight-line)

MACRS half-year percentages (IRS Pub 946, Table A-1)

Year	1	2	3	4	5	6	7	8
5-year	20.00%	32.00%	19.20%	11.52%	11.52%	5.76%		
7-year	14.29%	24.49%	17.49%	12.49%	8.93%	8.92%	8.93%	4.46%

Mid-quarter convention applies instead if more than 40% of the year's depreciable property (excluding real property) is placed in service in the last quarter.

Bonus depreciation and Section 179

	Bonus depreciation	Section 179 expensing
What it does	Deducts a percentage of qualifying property's cost in year one	Elects to expense qualifying property up to an annual limit
Current rule*	100% for qualifying property acquired after Jan 19, 2025 (made permanent by 2025 legislation)	2026 limit about $2.56M; phase-out begins near $4.09M of purchases
Income limit	None — can create a loss	Limited to taxable business income; excess carries forward
Flexibility	Applies to an entire asset class unless you elect out	Choose asset by asset and amount
State conformity	California does not conform	California limit is much lower ($25,000)

**Limits are inflation-adjusted annually and tax law changes. Heavy SUVs have a separate, lower Section 179 cap. Confirm current figures with your CPA.*

De minimis safe harbor

Businesses without an audited (applicable) financial statement can elect to expense items costing **$2,500 or less** per invoice or item instead of capitalizing them ($5,000 with an applicable financial statement). Make the election annually with your tax return and apply a consistent written policy.

TOOLS Use our free Depreciation Schedule to track your fixed assets, accumulated depreciation, and monthly journal entry.

This guide is general information for small business owners and is not tax, legal, or accounting advice. Rules, rates, and deadlines change — confirm specifics with your CPA or the relevant agency.