

TAX & INVESTMENT GROUP

HARZYNNSKI  DINICOLA

DEPRECIATION SCHEDULES FAQ

Q. What is a depreciation schedule, and why are you asking me for one?

A. Certain types of business assets get written off over a period of several years (i.e. rental homes, business vehicles, computers, improvements to leased property, machinery and equipment, and more). The depreciation schedule tells our software how to pick up these carryforward items where your last tax professional (or self-preparation software) left off.

Q. How do I get a copy of my depreciation schedule?

A. Here are the steps.

1. Check your copy of the prior year tax return and see if it's included. If it is, you're done! Just send it our way.
2. If it's not included, you need to call and request a copy from whomever did your tax returns last year.
3. If you prepared your tax returns yourself using an online software, you need to login to your account and download "a complete copy" of your tax return that includes the entire return and all its schedules.

Q. What does a depreciation schedule look like?

Depreciation schedules all look a little bit different depending on the software that generates them but in general they will include the following information:

1. A list and description of your business assets
2. The date the asset was placed into service
3. Prior depreciation deductions taken on the assets

Here is an example of what some of them look like:

2021 ASSET DETAIL REPORT												403-00-0000			
Description	Date Acqd	Cost	Bus. Use	179+ Spec.	Basis	Method	Rec. Per. Cv	Prior Depr.	Current Depr.	Next Year	Prior AMT	Current AMT	Gain/ Price	Sales Price	Date Sold
<hr/>															
Form: Depreciation and Amortization Pg 1															
Rental Property: N/A															
Depreciation Class: Autos															
In Service Year: 2021															
Bat Mobile	01/21	137000	100	137000		MACRS	5.0	HY							137000
Depreciation Class: Leasehold Improvements nonresidential															
In Service Year: 2021															
Bat Cave Rem	01/21	222000	100		222000	MACRS	39.0	MM		5455	5692				5455
Depreciation Class: Machinery and equipment other															
In Service Year: 2021															
Grappling Ho	06/21	2600	100		2600	MACRS	7.0	HY		372	637				278
Form Totals:		361600		137000	224600					5827	6329				142733

Q. I checked my last year's return, but it's not included. Why didn't my former tax professional include it with the tax return?

A. Sometimes tax professionals don't include them as a way of producing friction when you are trying to leave their firm. They know that you can't complete your next year's tax return accurately on your own, or at another office without the schedule, so they set their software to not include it when they print your tax return. We consider this to be an unethical practice and always include them with tax returns that we prepare.

Q. Is it ethical for my former tax professional to refuse to provide a depreciation schedule?

A. No. Section 10.24 of IRS Circular 230 prohibits tax practitioners from withholding information that could prevent taxpayers from complying with their future tax obligations. This section states:

"A practitioner may not withhold, or advise a client to withhold, any information from the Internal Revenue Service (IRS) or other taxing authority that would prevent the client from complying with any future tax obligations."

Sometimes reminding your former tax professional of their obligation to provide this information to you isn't a bad idea, but we recommend only bringing it up if the escalation is necessary. Most tax offices will simply provide you one upon request.

Q. Can you call and ask my former tax professional to send it to you directly?

A. No. Under IRC 7216, tax return preparers are prohibited from disclosing tax return information to third parties, including other businesses, unless the taxpayer has specifically authorized such disclosure in writing. We feel uncomfortable calling and asking another firm to break the law. You should call your former tax professional and request they send the schedules to you directly, and then forward them to us.

Q. What is the difference between the form in my last year's tax return titled "4562 Depreciation and Amortization" and a depreciation schedule?

A. Form 4562 includes only annual totals, whereas the depreciation schedule has your total broken down by asset, and the date those assets were placed into service. In some circumstances the 4562 can give us clues, but is not a substitute for a depreciation schedule.

Q. Can you complete my tax return without it?

A. Yes, sometimes we have done this when the prior year tax professional has passed away and the information can't be obtained, but additional fees will apply for recreating the information. We also must fill out a form disclosing to the IRS that the depreciation figures are estimated. It's generally worth it to get a copy from your prior tax professional if humanly possible.