

Understanding Fire Sprinkler Incentives Through Tax Forms



This is a fictional case study that was presented to a CPA, with the intent being to "file" taxes with the information provided. (We wanted to prove that Section 179 existed and that we could find it.)

The Good News? It's there! Please see the tax forms and note that the cost of the fire sprinklers (\$14,500) is noted and is fully depreciated in year one.

This example was patterned after the Station Nightclub from a standpoint of square footage for the retrofit estimate from a real fire sprinkler contractor. The revenue and other expenses were gathered by using the National Restaurant Association's average for these types of businesses.

It's a straight forward example that is used for educational purposes only. Please consult with your tax professional for direct advice regarding fire sprinkler incentives realized through Section 179.

Form 4562 **Depreciation and Amortization (Including Information on Listed Property)** OMB No. 1545-0172
 Department of the Treasury Internal Revenue Service (99) **2018** Attachment Sequence No. 179
 Name(s) shown on return: JANE DOE Business or activity to which this form relates: XXXXXX Identifying number: 62-0000000

Part I Election To Expense Certain Property Under Section 179
 Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	14,500
2	Total cost of section 179 property placed in service (see instructions)	2	14,500
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	14,500
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	14,500

6	(a) Description of property	(b) Cost (business use only)	(c) Elected cost
	SPRINKLER SYSTEM	14,500	14,500

7	Listed property. Enter the amount from line 29	7	14,500
8	Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7	8	14,500
9	Tentative deduction. Enter the smaller of line 5 or line 8	9	14,500
10	Carryover of disallowed deduction from line 13 of your 2017 Form 4562	10	0
11	Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions	11	14,500
12	Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11	12	14,500
13	Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12	13	

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14	Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions	14	
15	Property subject to section 168(f)(1) election	15	
16	Other depreciation (including ACRS)	16	

Part III MACRS Depreciation (Don't include listed property. See instructions.)

Section A

17	MACRS deductions for assets placed in service in tax years beginning before 2018	17	
18	If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here		<input type="checkbox"/>

Section B—Assets Placed in Service During 2018 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a	3-year property					
b	5-year property					
c	7-year property					
d	10-year property					
e	15-year property					
f	20-year property					
g	25-year property					
h	Residential rental property					
i	Nonresidential real property					

Section C—Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System

20a	Class life					
b	12-year					
c	30-year					
d	40-year					

Part IV Summary (See instructions.)

21	Listed property. Enter amount from line 28	21	0
22	Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions	22	14,500
23	For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs	23	

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 12906N Form 4562 (2018)

See other side for tax form samples.



Fire Protection Contractors
 (844) 372-7283



Form **4562** **Depreciation and Amortization** (Including Information on Listed Property) OMB No. 1545-0172
2018
Attachment Sequence No. **179**

Department of the Treasury Internal Revenue Service (99) **Go to www.irs.gov/Form4562 for instructions and the latest information.**

Name(s) shown on return **JANE DOE** Business or activity to which this form relates **XXXXXX** Identifying number **62-000000**

Part I Election To Expense Certain Property Under Section 179
Note: If you have any listed property, complete Part V before you complete Part I.

1	Maximum amount (see instructions)	1	14,500
2	Total cost of section 179 property placed in service (see instructions)	2	14,500
3	Threshold cost of section 179 property before reduction in limitation (see instructions)	3	14,500
4	Reduction in limitation. Subtract line 3 from line 2. If zero or less, enter -0-	4	0
5	Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If married filing separately, see instructions	5	14,500

6 (a) Description of property **(b)** Cost (business use only) **(c)** Elected cost

SPRINKLER SYSTEM	14,500	14,500
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7 Listed property. Enter the amount from line 29 **7** 14,500

8 Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7 **8** 14,500

9 Tentative deduction. Enter the smaller of line 5 or line 8 **9** 14,500

10 Carryover of disallowed deduction from line 13 of your 2017 Form 4562 **10** 0

11 Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions **11** 14,500

12 Section 179 expense deduction. Add lines 9 and 10, but don't enter more than line 11 **12** 14,500

13 Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12 **13** 0

Note: Don't use Part II or Part III below for listed property. Instead, use Part V.

Part II Special Depreciation Allowance and Other Depreciation (Don't include listed property. See instructions.)

14 Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions **14**

15 Property subject to section 168(f)(1) election **15**

16 Other depreciation (including ACRS) **16**

Part III MACRS Depreciation (Don't include listed property. See instructions.)

17 MACRS deductions for assets placed in service in tax years beginning before 2018 **17**

18 If you are electing to group any assets placed in service during the tax year into one or more general asset accounts, check here

Section B—Assets Placed in Service During 2018 Tax Year Using the General Depreciation System

(a) Classification of property	(b) Month and year placed in service	(c) Basis for depreciation (business/investment use only—see instructions)	(d) Recovery period	(e) Convention	(f) Method	(g) Depreciation deduction
19a 3-year property						
b 5-year property						
c 7-year property						
d 10-year property						
e 15-year property						
f 20-year property						
g 25-year property						
h Residential rental property						
i Nonresidential real property						

Section C—Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System

20a Class life	b 12-year	c 30-year	d 40-year

Part IV Summary (See instructions.)

21 Listed property. Enter amount from line 22 **21** 0

22 Total. Add amounts from line 12, lines 14 through 17, lines 19 and 20 in column (g), and line 21. Enter here and on the appropriate lines of your return. Partnerships and S corporations—see instructions **22** 14,500

23 For assets shown above and placed in service during the current year, enter the portion of the basis attributable to section 263A costs **23**

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Part V Listed Property (Include automobiles, certain other vehicles, certain aircraft, and property used for entertainment, recreation, or amusement.)

Note: For any vehicle for which you are using the standard mileage rate or deducting lease expense, complete only 24a, 24b, columns (a) through (c) of Section A, all of Section B, and Section C if applicable.

Section A—Depreciation and Other Information (Caution: See the instructions for limits for passenger automobiles.)

24a Do you have evidence to support the business/investment use claimed? Yes No **24b** If "Yes," is the evidence written? Yes No

(a) Type of property (list vehicles first)	(b) Date placed in service	(c) Business/investment use percentage	(d) Cost or other basis	(e) Basis for depreciation (business/investment use only)	(f) Recovery period	(g) Method/Convention	(h) Depreciation deduction	(i) Elected section 179 cost
25 Special depreciation allowance for qualified listed property placed in service during the tax year and used more than 50% in a qualified business use. See instructions 25								
26 Property used more than 50% in a qualified business use:								
27 Property used 50% or less in a qualified business use:								
28 Add amounts in column (h), lines 25 through 27. Enter here and on line 21, page 1 28								
29 Add amounts in column (i), line 26. Enter here and on line 7, page 1 29								

Complete this section for vehicles used by a sole proprietor, partner, or other "more than 5% owner," or related person. If you provided vehicles to your employees, first answer the questions in Section C to see if you meet an exception to completing this section for those vehicles.

Section B—Information on Use of Vehicles

(a) Vehicle 1	(b) Vehicle 2	(c) Vehicle 3	(d) Vehicle 4	(e) Vehicle 5	(f) Vehicle 6
30 Total business/investment miles driven during the year (don't include commuting miles)					
31 Total commuting miles driven during the year					
32 Total other personal (noncommuting) miles driven					
33 Total miles driven during the year. Add lines 30 through 32					
34 Was the vehicle available for personal use during off-duty hours? Yes No	Yes No				
35 Was the vehicle used primarily by a more than 5% owner or related person?					
36 Is another vehicle available for personal use?					

Section C—Questions for Employers Who Provide Vehicles for Use by Their Employees

Answer these questions to determine if you meet an exception to completing Section B for vehicles used by employees who aren't more than 5% owners or related persons. See instructions.

37 Do you maintain a written policy statement that prohibits all personal use of vehicles, including commuting, by your employees? **Yes** **No**

38 Do you maintain a written policy statement that prohibits personal use of vehicles, except commuting, by your employees? See the instructions for vehicles used by corporate officers, directors, or 1% or more owners **Yes** **No**

39 Do you treat all use of vehicles by employees as personal use? **Yes** **No**

40 Do you provide more than five vehicles to your employees, obtain information from your employees about the use of the vehicles, and retain the information received? **Yes** **No**

41 Do you meet the requirements concerning qualified automobile demonstration use? See instructions **Yes** **No**

Note: If your answer to 37, 38, 39, 40, or 41 is "Yes," don't complete Section B for the covered vehicles.

Part V Amortization

(a) Description of costs	(b) Date amortization begins	(c) Amortizable amount	(d) Code section	(e) Amortization period or percentage	(f) Amortization for this year
42 Amortization of costs that begins during your 2018 tax year (see instructions):					
43 Amortization of costs that began before your 2018 tax year					43
44 Total. Add amounts in column (f). See the instructions for where to report 44					

Form 4562 (2018)

SCHEDULE C (Form 1040) Profit or Loss From Business (Sole Proprietorship) OMB No. 1545-0074
2018
Attachment Sequence No. **09**

Department of the Treasury Internal Revenue Service (99) **Go to www.irs.gov/ScheduleC for instructions and the latest information.**

Name of proprietor **JANE DOE** Social security number (SSN) **000-00-0000**

A Principal business or profession, including product or service (see instructions) **B** Enter code from instructions **XXXXXXX**

C Business name. If no separate business name, leave blank. **D** Employer ID number (EIN) (see instr.)

E Business address (including suite or room no.) **801 BROADWAY**
City, town or post office, state, and ZIP code **ANY TOWN, GU 78901**

F Accounting method: (1) Cash (2) Accrual (3) Other (specify) **G** Did you "materially participate" in the operation of this business during 2018? If "No," see instructions for limit on losses **H** If you started or acquired this business during 2018, check here **I** Did you make any payments in 2018 that would require you to file Form(s) 1099? (see instructions) **J** If "Yes," did you or will you file required Form(s) 1099?

Part I Income

1	Gross receipts or sales. See instructions for line 1 and check the box if this income was reported to you on Form W-2 and the "Statutory employee" box on that form was checked	1	300,000
2	Returns and allowances	2	0
3	Subtract line 2 from line 1	3	300,000
4	Cost of goods sold (from line 42)	4	169,000
5	Gross profit. Subtract line 4 from line 3	5	131,000
6	Other income, including federal and state gasoline or fuel tax credit or refund (see instructions)	6	0
7	Gross income. Add lines 5 and 6	7	131,000

Part II Expenses. Enter expenses for business use of your home only on line 30.

8	Advertising	8	
9	Car and truck expenses (see instructions)	9	
10	Commissions and fees	10	
11	Contract labor (see instructions)	11	
12	Depletion	12	
13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	14,500
14	Employee benefit programs (other than on line 19)	14	1,500
15	Insurance (other than health)	15	3,000
16	Interest (see instructions):		
a	Mortgage (paid to banks, etc.)	16a	4,500
b	Other	16b	
17	Legal and professional services	17	
18	Office expense (see instructions)	18	
19	Pension and profit-sharing plans	19	
20	Rent or lease (see instructions):		
a	Vehicles, machinery, and equipment	20a	
b	Other business property	20b	
21	Repairs and maintenance	21	
22	Supplies (not included in Part III)	22	
23	Taxes and licenses	23	400
24	Travel and meals:		
a	Travel	24a	
b	Deductible meals (see instructions)	24b	
25	Utilities	25	
26	Wages (less employment credits)	26	
27a	Other expenses (from line 48)	27a	
b	Reserved for future use	27b	
28	Total expenses before expenses for business use of home. Add lines 8 through 27a	28	23,900
29	Tentative profit or (loss). Subtract line 28 from line 7	29	107,100
30	Expenses for business use of your home. Do not report these expenses elsewhere. Attach Form 8829 unless using the simplified method (see instructions). Simplified method filers only: enter the total square footage of: (a) your home; and (b) the part of your home used for business; Use the Simplified Method Worksheet in the instructions to figure the amount to enter on line 30	30	0
31	Net profit or (loss). Subtract line 30 from line 29. • If a profit, enter on both Schedule 1 (Form 1040), line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. If you checked the box on line 1, see instructions. Estates and trusts, enter on Form 1041, line 3. • If a loss, you must go to line 32.	31	107,100
32	If you have a loss, check the box that describes your investment in this activity (see instructions). • If you checked 32a, enter the loss on both Schedule 1 (Form 1040), line 12 (or Form 1040NR, line 13) and on Schedule SE, line 2. If you checked the box on line 1, see the line 31 instructions. Estates and trusts, enter on Form 1041, line 3. • If you checked 32b, you must attach Form 6198. Your loss may be limited.	32a	<input checked="" type="checkbox"/> All investment is at risk.
		32b	<input type="checkbox"/> Some investment is not at risk.

For Paperwork Reduction Act Notice, see separate instructions. Cat. No. 11334P Schedule C (Form 1040) 2018

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Part III Cost of Goods Sold (see instructions)

33 Method(s) used to value closing inventory: a Cost b Lower of cost or market c Other (attach explanation)

34 Was there any change in determining quantities, costs, or valuations between opening and closing inventory? If "Yes," attach explanation Yes No

35	Inventory at beginning of year. If different from last year's closing inventory, attach explanation	35	0
36	Purchases less cost of items withdrawn for personal use	36	50,000
37	Cost of labor. Do not include any amounts paid to yourself	37	144,000
38	Materials and supplies	38	0
39	Other costs	39	0
40	Add lines 35 through 39	40	194,000
41	Inventory at end of year	41	25,000
42	Cost of goods sold. Subtract line 41 from line 40. Enter the result here and on line 4	42	169,000

Part IV Information on Your Vehicle. Complete this part only if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) **44** Of the total number of miles you drove your vehicle during 2018, enter the number of miles you used your vehicle for:

a Business b Commuting (see instructions) c Other

45 Was your vehicle available for personal use during off-duty hours? Yes No

46 Do you (or your spouse) have another vehicle available for personal use? Yes No

47a Do you have evidence to support your deduction? Yes No

b If "Yes," is the evidence written? Yes No

Part V Other Expenses. List below business expenses not included on lines 8-26 or line 30.

48 Total other expenses. Enter here and on line 27a	48
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Schedule C (Form 1040) 2018