



DECONCINI MCDONALD YETWIN & LACY

A PROFESSIONAL CORPORATION

ATTORNEYS AT LAW

2525 EAST BROADWAY BOULEVARD • SUITE 200 • TUCSON, ARIZONA 85716-5300
(520) 322-5000 • (520) 322-5585 (FAX)

DMYL.COM

DENISE M. BAINTON
LISA J. BOWEY
JODY A. CORRALES
VALORIE E. DOUGLAS
NATHAN B. HANNAH
STEVEN J. ITKIN
CLAYTON R. KRAMER
JOHN C. LACY
ZELMA LETARTE
PAUL A. LOUCKS
KATHRYN B. NELSON

RYAN D. O'NEAL
JOHN C. RICHARDSON
LISA ANNE SMITH
SESALY O. STAMPS
TYLER H. STANTON
JAMES M. SUSAN
PAUL M. TILLEY
MEGAN J. TROG
GARY F. URMAN
MICHAEL R. URMAN

FIRM FOUNDERS:

EVO A. DECONCINI (1901-1986)
JOHN R. MCDONALD (1933-2012)
DENNIS W. DECONCINI

PHOENIX OFFICE:

7310 NORTH 16TH STREET, SUITE 205
PHOENIX, ARIZONA 85020
(602) 282-0500
FAX: (602) 282-0520

March 8, 2022

OF COUNSEL:

JAMES A. JUTRY
ROB RISLEY
RICHARD M. YETWIN
BARRON & ASSOCIATES, P.C. - JOHN H. BARRON, III

PLEASE REPLY TO TUCSON
JSUSA@DMYL.COM

Via Electronic Mail: jmitchell@tax.state.nv.us

Jeff Mitchell
Deputy Director
Nevada Department of Taxation
1550 E. College Parkway, Suite 115
Carson City, NV 89706

RE: Personal Property Manual
Valuation Guidelines 2022-2023

Dear Jeff:

My client, MGM Resorts International (“MGM”) recently protested the guest room personal property value at several, though not all, of its Clark County properties. A hearing was held before the Clark County Board of Equalization (“Board”) on February 22, 2022. At the hearing, the Board upheld the Clark County Assessor’s taxable value. But the Board also noted that the Assessor was required by statute to use the Personal Property Manual (“Manual”) prepared by the Department of Taxation and that manual specified a 15-year depreciation life for the guest room personal property.

The purpose of my letter is to provide information to the Department that demonstrates that the current Manual’s use of a 15-year depreciation life for guest room personal property exceeds the actual useful life of such property and to request that this specific matter be addressed at the Department’s upcoming personal property workshop.

Previously, I emailed to you the video link from the Board’s hearing. Several of the Board members remarked that the 15-year life for the guest room personal property is excessive when that guest room is within a large Las Vegas resort. The Manual, of course, is a one-size-fits-all approach for all guest room personal property located throughout the State of Nevada. MGM would request the Department consider a subset of the existing guest room personal property for large resorts and that guest room personal property in those resorts have a 10-year life based on the information provided with this letter.

DECONCINI MCDONALD YETWIN & LACY

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

March 8, 2022

Page 2

The underlying reason for the requested change is the market dynamic of a highly competitive industry. To “keep up with the Joneses” so to speak, resorts are scheduling room refurbishments on a periodic cycle, usually every 5 to 7 years. The existing guest room personal property is replaced in order to maintain the resort’s high occupancy and daily room rates. As you would expect, the higher the daily room rate, the more often the entire room furnishing must be replaced.

Attached to this letter are some select documents that show multiple sources for a determination that guest room personal property should have a life lower than 15 years. But before discussing the attachments, I wanted to note that when I was reviewing the existing Manual for the 2021-2022 tax year, there was an inconsistency that supported my argument. On page 35, the Manual lists as a category “furniture rental & leasing.” I read that to mean the furniture that could be leased for any purpose, commercial, residential, industrial etc. That furniture is given a 7-year life for depreciation purposes. On page 39, the Manual lists “hotel furnishings” and it has a 15-year life for depreciation purposes. It seems inconsistent that the same furniture that may end up in a hotel guest room would have a 7-year life if rented, but a 15-year life if purchased outright. The relevant pages are exhibit A hereto for ease of reference.

The next attached document is the Marshall & Swift valuation manual dated December 2016 (“Valuation Manual”). Nevada recognizes Marshall & Swift as a basis for its replacement cost figures for the valuing of real property improvements. In section 97, page 3, the Valuation Manual states that certain industries, including hotels, that are highly competitive and responsive to rapidly changing consumer tastes require frequent renovations and fixture change-outs in search of market share. This dynamic requires special consideration in determining typical life expectancy. MGM would agree that not all hotel properties in the State of Nevada fit into this category. But the MGM resorts certainly do and the history of property upgrades and renovations would support that argument.

The Valuation Manual, section 97, page 20 provides an expected life range of between 8 and 12 years for hotel furnishings and equipment. This range is without special consideration for those situations where competition to maintain or increase market share would lead to frequent renovations and fixture change-outs. If such is considered the expected life range would be shorter. The Valuation Manual relevant pages are exhibit B hereto.

The next attached document is a spreadsheet showing the remodel projects taken at Bellagio by year beginning in 2004. Each remodel project is assigned a project code found in the second column. The first column describes the location that was remodeled. The third column is the date for the project. The fourth column is the amount spent on furniture, fixtures and equipment for that project. There are four areas where remodeling occurs, original tower, suites, villas and spa tower. The original tower, suites and villas were originally furnished in 1998. The spa tower was originally furnished in 2004.

The original tower was remodeled in 2003-04 (\$33.7 million cost), 2011 (\$44.2 million cost), 2014 (\$24 million cost) and 2021 (\$45.1 million cost). The suites were remodeled in 2007

DECONCINI McDONALD YETWIN & LACY

A PROFESSIONAL CORPORATION
ATTORNEYS AT LAW

March 8, 2022

Page 3

(\$28.1 million cost). The spa tower was remodeled in 2012 (\$23.6 million cost). The villas were remodeled in 2017-18 (\$4.7 million cost). Remodeled does not mean replacing all the room furniture in every room. It means replacing the most worn items of room furniture in many rooms on a schedule that spreads out the amount spent every few years. The original tower rooms receive the most usage and thus have the more frequent furniture replacements. The spreadsheet is exhibit C hereto.

The next attachment is the Internal Revenue Service Publication 946 that provides depreciation guidelines. This is a general depreciation guideline for numerous types of personal property. On page 99, the IRS lists office furniture and provides a 7-year recovery period under MACRS, based upon a 10-year class life for depreciation. The reason I mention this is that office furniture is used many hours a day, but not every hour of the day and certainly not every day of the year. By contrast, hotel guest room personal property is used every hour of the day and every day of the year if the hotel is one with high occupancy, a hallmark of almost all MGM properties. Publication 946 relevant pages are attached as exhibit D hereto.

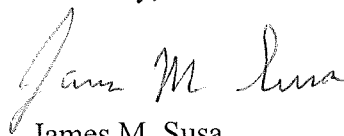
The final attachment is the IRS cost segregation guide for the casino industry. The guide is very detailed and page 17 lists hotel room furnishings as having a 5-year MACRS recovery period, based upon a 9-year class life. The guide's relevant pages are attached as exhibit E hereto.

To be clear, MGM is not requesting a 5-year depreciation life for the guest room personal property. It is requesting the Department consider a 10-year life. Nevertheless, I wanted to provide this government-produced information to substantiate that MGM's request is reasonable in light of other authorities. There are other state valuation guidelines that provide a life of far less than 15 years for guest room personal property and those can be provided as well if the Department desires to see what other states are utilizing for their property tax valuation models. But I wanted to start with these documents and can supplement later if needed.

One final thing from the Board hearing was the comment by the Clark County Assessor personnel. They expressed a willingness to assist in the process of creating a manual for the 2022-2023 tax year that addressed this issue. MGM is appreciative of the Assessor's stated willingness to be engaged in this very important discussion.

Please feel free to contact me if you have any questions. I look forward to working with you.

Sincerely,



James M. Susa

Enclosure

EXHIBIT A

EXHIBIT A



NEVADA DEPARTMENT OF TAXATION
Division of Local Government Services

PERSONAL PROPERTY
MANUAL:
VALUATION GUIDELINES
2021-2022

Personal property assets used by Internet Service Providers, Web Search Portals, and Data Processing Services to provide: (1) access to the Internet; (2) search facilities for the Internet; and (3) data processing, hosting, and related services.

519 **Other Information Services** 15

Personal property assets used in supplying information, storing information, providing access to information, and searching and retrieving information. The main components of this group are news syndicates, libraries, and archives. It includes law and medical libraries.

53 REAL ESTATE, RENTAL, AND LEASING

For the purposes of this manual, the following descriptions apply only to those items which can be classified as Personal Property. The designated life does not apply to Real Property or fixtures which have been converted to Real Property.

532 **Rental and Leasing Services** 15

Personal property includes a wide array of tangible goods, such as automobiles, computers, consumer goods, and industrial machinery and equipment, to customers in return for a periodic rental or lease payment.

Itemized Equipment

Formal wear and costume rental 3

Bottled water Dispensers & Equipment 7

* Furniture Rental & Leasing 7 *

Heavy equipment See Construction (Code 23)

Lawn and Garden equipment 7

Linens and Uniforms 3

Musical Instrument rentals 7

Rent-to-Own Merchandise 7

Ski Equipment Rentals 7

Video Tapes See Special Properties

See also separate listings for specific types of equipment.

54 PROFESSIONAL, SCIENTIFIC, AND TECHNICAL SERVICES

For the purposes of this manual, the following descriptions apply only to those items which can be classified as Personal Property. The designated life does not apply to Real Property or fixtures which have been converted to Real Property.

- See itemized equipment

Itemized Equipment

Bowling Alley Pinsetters and Other Equipment	15
Bowling Electronic Scoring Machines	7
Gaming Equipment:	
Electronic, slots, or computers	7
Gaming Equipment Cont.:	
Player tracking systems	7
Mechanical slots	15
Other	15
Golf Carts, electric	7
Golf Course Machinery & Equipment, except lawn mowing equipment.....	15
Golf Course: Lawn Mowing Equipment.....	7
Juke Box.....	15
Ski Area Equipment: Snow Cats and Packers	7
Ski Rentals	7
Video and Flipper Games.....	7

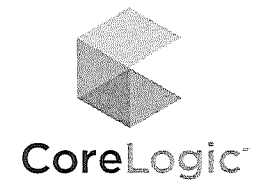
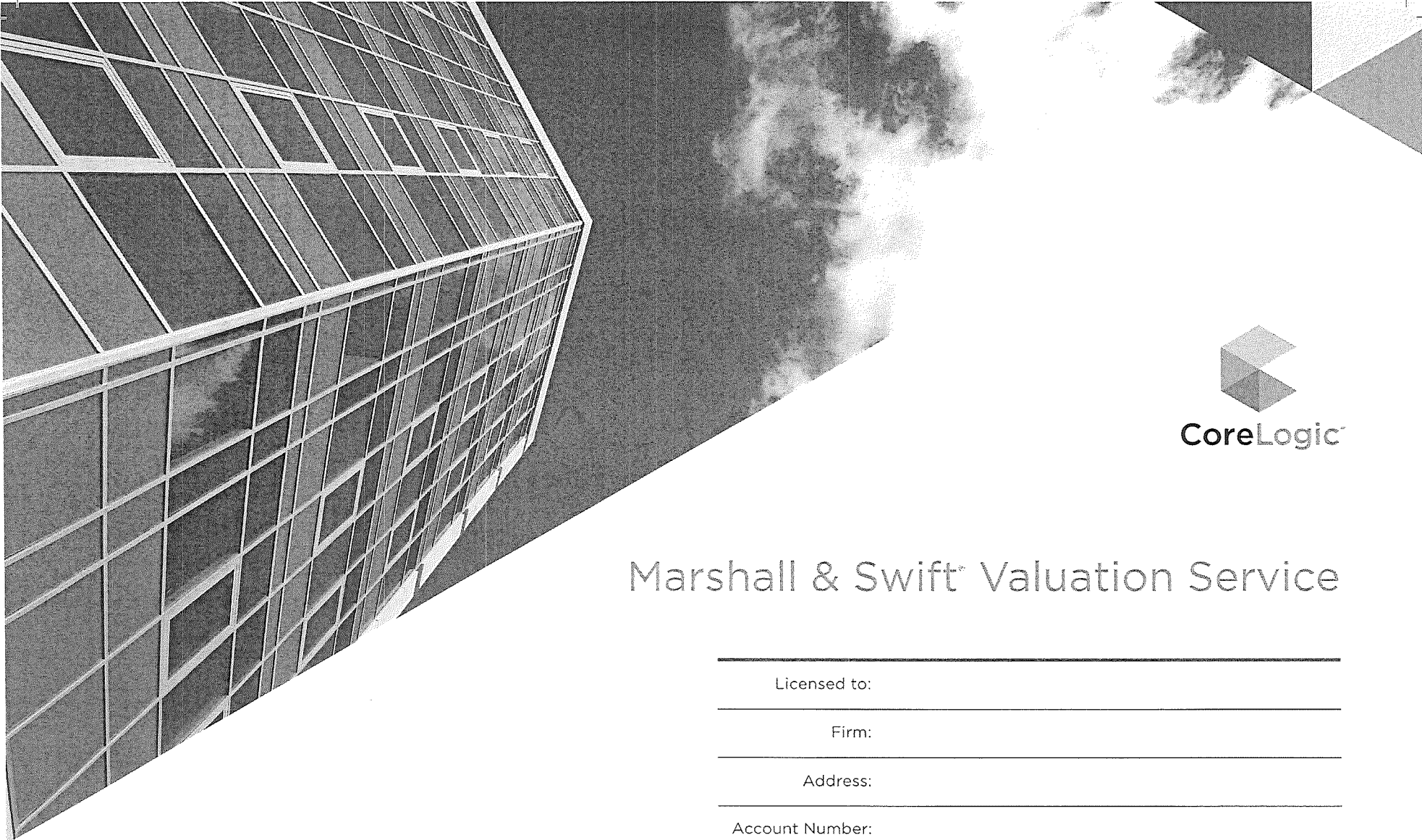
7 2 A C C O M M O D A T I O N A N D F O O D S E R V I C E S

For the purposes of this manual, the following descriptions apply only to those items which can be classified as Personal Property. The designated life does not apply to Real Property or fixtures which have been converted to Real Property.

721	Accommodation.....	15
	Personal property used in: (1) traveler accommodation, (2) recreational accommodation, and (3) rooming and boarding houses.	
	Itemized Equipment	
	Apartment Furnishings.....	15
	Hotel Furnishings	15
	Outdoor Patio Furnishings	7
	Fire and Security Equipment	15
	Health Spa Equipment: Manual.....	15
	Health Spa Equipment: Electronic.....	7
	Heavy use Washers	7
	Linens, glassware, silverware, and uniforms (not rented).....	3
	Televisions.....	5
	Telephone Systems (See also NAICS Code 517).....	5
722	Food Services and Drinking Places.....	15

EXHIBIT B

EXHIBIT B



Marshall & Swift® Valuation Service

Licensed to:

Firm:

Address:

Account Number:

777 South Figueroa Street, 12th Floor | Los Angeles CA 90017 | TEL 800.544.2678 | FAX 213.683.9010

© 2017 CoreLogic, Inc. All rights reserved.

CORELOGIC, the CoreLogic logo and MARSHALL & SWIFT are trademarks of CoreLogic, Inc. and/or its subsidiaries.

FUNCTIONAL INDICATORS (Continued)

Some of the external factors affecting the extent of functional obsolescence are:

1. Code Requirements – Most current building codes or zoning for conforming use, height, stories, area, setback, building separation, size/mansionization, energy equivalency tradeoffs, etc., OSHA, fire and life safety, etc. compliance (see below).
2. Fire Protection Requirements – Proper rating, detection for life safety and security, signaling controls, communications, signage, standpipe, sprinklers, extinguishers, hydrants, vents, draft curtains, fans, pumps, door and smoke controls, standby power, emergency phones, appropriate exits, overhang, balcony and deck exposures, stairways, roofing classification, safety or double glazing, fire doors and shutters, etc.
3. Handicapped Requirements – ADA compliance, barrier-free design, parking, ramps, automatic entry, door, hallway widths, markings, signage, alarms, service, cabinet and railing heights, drinking fountains, grab bars, exposed hot-water piping, handicap fixtures, turnaround space, elevator controls, cab size, lifts, etc.
4. Environmental – EPA, wetlands and air quality compliance, water, soil, radon, asbestos, UREA formaldehyde foam insulation, PCBs, CFCs, high-voltage lines, halon, heavy metal or lead contamination, runoff, emissions or sediment containment, detection and testing, septic tanks, leach fields, demolition constraints, disposal or remediation. Evidence of leakage, absence of plants or animals, sick or stressed plants or animals, discolored soil or water, surface sheens and noxious odors, presence of discarded batteries, abandoned wells, sumps, tanks, barrels or other containers of fertilizer, pesticides and herbicides, paints and thinners, heating oil, petroleum or other hazardous chemical substances.
5. Weather Extremes – Appropriate insulation levels, heat gain or loss, shading, passive or active alternatives, energy equivalency tradeoffs, window treatment, glass strength, proper trusses, size, spacing, pitch and drainage for rain and snow loading, proper flashings and penetrations, proper connections for hurricane wind forces, uplift exposure, operable shutters, impact glazing.
6. Earthquakes – Appropriate bracing, connections to structural shell or foundation, shear walls, storefront facade or parapet, overhang exposure, irregular shape, framing stress, torsion, distance from other structures for pounding, etc.

External Obsolescence is a change in the value of a property, usually negative but can be an enhancement, caused by forces outside the property itself, and is not included directly in the tables that follow. It can be divided into two types, locational and economic. Locational factors are generally incurable and may affect only a small area, while economic factors can cover a wide geographic area and may be only temporary and reversible. Different types of property, residential or commercial, will be affected differently by these external forces. For example, it is desirable or advantageous for a manufacturing plant to be situated close to a railroad spur; conversely, it is a disadvantage for a residential property to be located close to that same spur. Close proximity to a major highway is generally much more beneficial for an apartment complex than a single-family residence, etc. Any abnormal, isolated or temporary cases of external obsolescence, usually computed separately, can be measured by market abstraction and capitalization of the imputed loss or gain, which generally affects land values first, then the improvements, by changing the possible uses and altering remaining life.

EXTERNAL INDICATORS

When considering the extent of external obsolescence, pay particular attention to the following indicators in the immediate vicinity, marketing area or community as a whole:

1. Physical Factors – Proximity of desirable or unattractive natural or artificial features or barriers, general neighborhood maturity, conformity, deterioration, rehabilitation or static character, known cleanup sites, fumes, noise, traffic or flight patterns, nuisances, graffiti, waste dump, swamp, toxic industry, electromagnetic fields, brush area, lack of view or landscaping, floodplain, dam inundation area, drainage, water table, sinkholes, fault or seismic zones, soil types, cut and fill, liquefaction, landslides, etc., local ecosystem, endangered species, habitat areas.
2. Economic – Demand/supply imbalance, saturation or monopoly, competition or alternatives, market share, industry or major plant relocation, employment development and growth patterns, downsizing, utility and insurance rates, availability of funds or terms, labor and materials, interest rates, vacancy, building rates, general inflation or deflation rates, tenant ratings, length of time on market or lease up or absorption, income streams and returns, changing consumer habits, purchasing power, property association or government forces, zoning, land use, air rights, legal nonconformity, permit, taxing and assessment policies and bureaucracy or other limiting conditions or restrictions.

3. Infrastructure – Surrounding highest and best use; availability, quality and source of utilities; public services; fire stations, staffed or volunteer; distance from hydrants; street improvements; traffic patterns; emergency response, evacuation routes; public parking, transportation and shipping facilities; retail; recreation; education facilities, etc.

General condition ratings can be assigned to the improvement to assist in the development of an appropriate effective age based on observed condition, utility and age. The better the overall condition, the younger or lower the effective age, which lowers the percentage and amount of depreciation. Condition is an integral part in measuring the degree at which items subject to depreciation have been maintained. Applying any additional condition modifier once the effective age has been established based on condition would be redundant.

Effective age will change as conditions fluctuate, determined by the amount of observed deterioration and obsolescence at the date of the appraisal. Over the life of a structure, you could expect the condition rating and effective age to move up and back down the effective age scale many times over. During the mid-life cycles, the effective age will drift upward at a relatively slow pace, assuming normal maintenance, for longer periods of time than at any other period over the structure's entire life span. With each evaluation, the effective age choice must be reconsidered based on the actual conditions encountered at the current date, taking into account any changes that may have taken place since the last appraisal. Neglect or weather extremes could have accelerated condition and age, while major repairs will correct deficiencies to a like-new condition, lowering the effective age and starting the cycle all over again. Operating extremes, such as abrupt increases or decreases in plant or equipment activity from normal or designed usage or excessive rental turnover can certainly impact the rate of wear and tear and maintenance performed.

Certain industries such as fast food, hotels, markets, and other retail chains which are highly competitive and responsive to rapidly changing consumer tastes and/or investor holding periods, may require frequent major renovations and fixture change-outs in search of market share. Consequently, excessive functional and separate economic obsolescence rates that move much faster than normal physical deterioration, may require special consideration, depending on the value sought, before establishing an appropriate effective age and/or typical life expectancy with which to work. Due to the unique character of certain outdoor recreational facilities like golf courses, special attention should be paid to the possible shorter lives of individual land improvements which are subject not only to the constant exposure of the elements, but to the wear and tear from selective use or play. The functionality, composition and age or maturity of the various features that make up each improvement or golf hole can also have a great effect on a facility's maintenance, operational and reserve schedules and expenses, which in turn affect condition, usability or playability and ultimately, depreciation.

CONDITION RATING INDICATORS

Excellent Condition – All items that can normally be repaired or refinished have recently been corrected, such as new roofing, paint, furnace overhaul, state-of-the-art components, etc. With no functional inadequacies of any consequence and all major short-lived components in like-new condition, the overall effective age has been substantially reduced upon complete revitalization of the structure regardless of the actual chronological age.

Very Good Condition – All items well maintained, many having been overhauled and repaired as they've shown signs of wear, increasing the life expectancy and lowering the effective age, with little deterioration or obsolescence evident and a high degree of utility.

Good Condition – No obvious maintenance required, but neither is everything new. Appearance and utility are above the standard, and the overall effective age will be lower than the typical property.

Average Condition – Some evidence of deferred maintenance and normal obsolescence with age in that a few minor repairs are needed, along with some refinishing. But with all major components still functional and contributing toward an extended life expectancy, effective age and utility are standard for like properties of its class and usage.

Fair Condition (Badly Worn) – Much repair needed. Many items need refinishing or overhauling, deferred maintenance obvious, inadequate building utility and services all shortening the life expectancy and increasing the effective age.

Poor Condition (Worn Out) – Repair and overhaul needed on painted surfaces, roofing, plumbing, heating, numerous functional inadequacies, substandard utilities, etc. (found only in extraordinary circumstances). Excessive deferred maintenance and abuse, limited value-in-use, approaching abandonment or major reconstruction; reuse or change in occupancy is imminent. Effective age is near the end of the scale regardless of the actual chronological age.

LIFE EXPECTANCY GUIDELINES

FURNITURE, FIXTURES AND EQUIPMENT

Most of the following useful lives for depreciable assets other than buildings, by industry groups, are extracted from U.S. Treasury Department Internal Revenue Service Publication 946 titled "How To Depreciate Property". The midpoints of these ranges are listed under the Class Life system outlined in the "Table of Class Lives and Recovery Periods" Publication 946. They are presented here in alphabetical order for your convenience. For more complete descriptions or definitions, see Publication 534. See top of Page 12 and Pages 2 and 3 for further life expectancy and life range discussions.

Lives marked with an asterisk (*) are not from the Internal Revenue Service publication, but are a composite of studies of equipment, bookkeeping practices and appraisers' opinions as compiled from a consensus of recognized trade groups, suppliers and other interested parties.

INDUSTRY GROUP	ASSET RANGE LIFE IN YEARS			INDUSTRY GROUP	ASSET RANGE LIFE IN YEARS		
Aerospace industry	8	10	12	Dairy products manufacturing	9.5	12	14.5
Agriculture, machinery and equipment	8	10	12	Data handling equipment, except computers computers and terminals*	5	6	7
Animals, cattle, breeding or dairy	5.5	7	8.5	Distilling	9.5	12	14.5
hogs, breeding	2.5	3	3.5	Electrical equipment manufacturing	8	10	12
horses, breeding or work	8	10	12	Electric utilities, hydraulic production	40	50	60
sheep and goats, breeding	4	5	6	nuclear or combustion turbine production	16	20	24
Cotton ginning	9.5	12	14.5	nuclear fuel assemblies	4	5	6
Trees and vines, almonds, pecans, and walnuts*	—	40	—	steam production	22.5	28	33.5
apples, figs, and olives*	—	50	—	transmission and distribution facilities	24	30	36
apricots, peaches, and nectarines*	—	20	—	Electronic equipment manufacturing	5	6	7
cherries, pears, and citrus*	—	40	—	semiconductor manufacturing equipment	—	5	—
grapes, plums, and prunes*	—	35	—	Fabricated metal products	9.5	12	14.5
Aircraft and all helicopters, except commercial aircraft	5	6	7	special tools	2.5	3	3.5
commercial aircraft	9.5	12	14.5	Fishing equipment, excluding boats and barges*	—	4	—
Amusement and theme parks	10	12.5	15	Food and beverage production	9.5	12	14.5
Apparel and fabricated textile manufacturing	7	9	11	special-handling devices	3	4	5
Automobile repair shops	8	10	12	Fur processing	7	9	11
Bakeries and confectionery production	9.5	12	14.5	Gas utilities, distribution	28	35	42
Barber and beauty shops	—	10	—	liquefied natural gas production	17.5	22	26.5
Billboards	16	20	24	manufactured gas production	24	30	36
Brewery equipment	9.5	12	14.5	natural gas production	11	14	17
Cable television, headend facilities	9	11	13	natural gas-coal gasification production	14.5	18	21.5
microwave systems	7.5	9.5	11.5	pipelines and related storage	17.5	22	26.5
program origination	7	9	11	Glass and glass products	11	14	17
service and test	7	8.5	10	special tools	2	2.5	3
subscriber connection and distribution	8	10	12	Grain and grain mill products manufacture	13.5	17	20.5
Canneries and frozen food production	9.5	12	14.5	Gypsum products	12	15	18
Cement manufacture	16	20	24	Hand tools*	—	5	—
Chemical and allied production	7.5	9.5	11.5	Hospital furnishings and equipment*	7	10	15
Clay products manufacturing	12	15	18	magnetic resonance imaging	—	5	—
Clocks and watches, manufacturing	8	10	12	Hotel and motel furnishings and equipment	8	10	12
electronic instrumentation	5	6	7	Industrial steam and electric generation	17.5	22	26.5
Cold storage and ice-making equipment*	—	18	—	Information systems, computers and peripheral equipment	5	6	7
Cold storage warehouse equipment*	—	10	—	Jewelry products and pens	9.5	12	14.5
Condiments, manufacturing and processing*	—	10	—	Knitwear and knit products	6	7.5	9
Construction equipment, general construction	5	6	7	Land improvements, sidewalks, roads, etc.	—	20	—
marine construction	5	6	7	Laundry equipment	8	10	12
				Leather and leather products	9	11	13

EXHIBIT C

EXHIBIT C

Project	Project #	PIS date	FFE
BCH Guest Room Remodel	2138	8/31/03-2/29/04	33,762,524
BCH Typical Room Remodel Corridors	4087	12/1/2004	1,426,739
BCH Suites Remodel	03175	9/25/2007 & 10/31/2007	28,129,217
BCH Typical Rooms Remodel	10042	7/2011-12/2011	44,258,353
BCH Spa Tower Remodel Phase 1-3	11201	Sept- Dec 2012	23,696,663
BCH Tower	13069	2014-2015	24,078,559
Bellagio Villa Refurbishment - Villa 8 and 10	16015	12/19/2017	2,230,050
Bellagio - Villas 5&6 Refurbishment	17095	11/7/2018	2,499,857
Bellagio Room Remodel - Original Tower	18004	6/25/2021	45,149,765

EXHIBIT D

EXHIBIT D



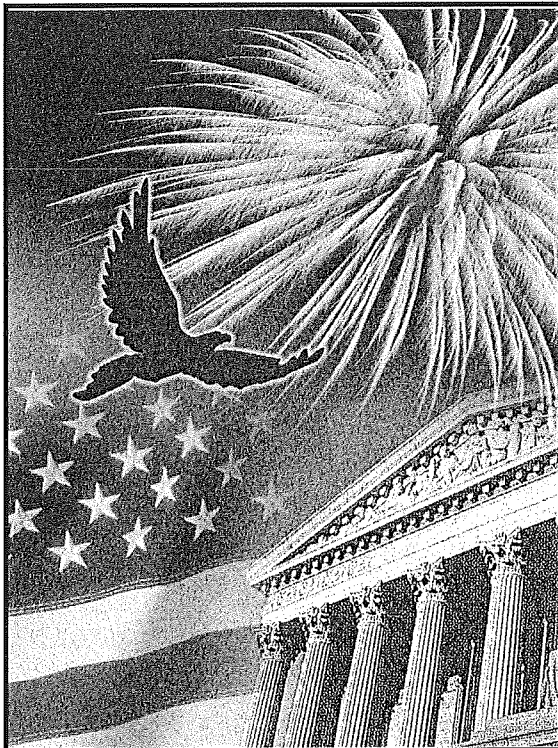
Publication 946

Cat. No. 13081F

How To Depreciate Property

- **Section 179 Deduction**
- **Special Depreciation Allowance**
- **MACRS**
- **Listed Property**

For use in preparing
2020 Returns



Get forms and other information faster and easier at:

- [IRS.gov](https://www.irs.gov) (English)
- [IRS.gov/Korean](https://www.irs.gov/korean) (한국어)
- [IRS.gov/Spanish](https://www.irs.gov/spanish) (Español)
- [IRS.gov/Russian](https://www.irs.gov/russian) (Русский)
- [IRS.gov/Chinese](https://www.irs.gov/chinese) (中文)
- [IRS.gov/Vietnamese](https://www.irs.gov/vietnamese) (Tiếng Việt)

Contents

Future Developments	2
What's New for 2020	2
What's New for 2021	2
Reminders	2
Introduction	2
Chapter 1. Overview of Depreciation	3
What Property Can Be Depreciated?	4
What Property Cannot Be Depreciated?	6
When Does Depreciation Begin and End?	7
What Method Can You Use To Depreciate Your Property?	8
What Is the Basis of Your Depreciable Property?	11
How Do You Treat Repairs and Improvements?	13
Do You Have To File Form 4562?	13
How Do You Correct Depreciation Deductions?	13
Chapter 2. Electing the Section 179 Deduction	15
What Property Qualifies?	15
What Property Does Not Qualify?	17
How Much Can You Deduct?	17
How Do You Elect the Deduction?	22
When Must You Recapture the Deduction?	22
Chapter 3. Claiming the Special Depreciation Allowance	23
What Is Qualified Property?	23
How Much Can You Deduct?	26
How Can You Elect Not To Claim an Allowance?	27
When Must You Recapture an Allowance?	27
Chapter 4. Figuring Depreciation Under MACRS	28
Which Depreciation System (GDS or ADS) Applies?	28
Which Property Class Applies Under GDS?	29
What Is the Placed in Service Date?	32
What Is the Basis for Depreciation?	32
Which Recovery Period Applies?	32
Which Convention Applies?	35
Which Depreciation Method Applies?	35
How Is the Depreciation Deduction Figured?	36
How Do You Use General Asset Accounts?	48
When Do You Recapture MACRS Depreciation?	52
Chapter 5. Additional Rules for Listed Property	53
What Is Listed Property?	53
Can Employees Claim a Deduction?	54

Table B-1. Table of Class Lives and Recovery Periods

Asset class	Description of assets included	Recovery Periods (in years)		
		Class Life (in years)	GDS (MACRS)	ADS
<i>SPECIFIC DEPRECIABLE ASSETS USED IN ALL BUSINESS ACTIVITIES, EXCEPT AS NOTED:</i>				
00.11	Office Furniture, Fixtures, and Equipment: Includes furniture and fixtures that are not a structural component of a building. Includes such assets as desks, files, safes, and communications equipment. Does not include communications equipment that is included in other classes.	10	7	10
00.12	Information Systems: Includes computers and their peripheral equipment used in administering normal business transactions and the maintenance of business records, their retrieval and analysis. Information systems are defined as: 1) Computers: A computer is a programmable electronically activated device capable of accepting information, applying prescribed processes to the information, and supplying the results of these processes with or without human intervention. It usually consists of a central processing unit containing extensive storage, logic, arithmetic, and control capabilities. Excluded from this category are adding machines, electronic desk calculators, etc., and other equipment described in class 00.13. 2) Peripheral equipment consists of the auxiliary machines which are designed to be placed under control of the central processing unit. Nonlimiting examples are: Card readers, card punches, magnetic tape feeds, high speed printers, optical character readers, tape cassettes, mass storage units, paper tape equipment, keypunches, data entry devices, teleprinters, terminals, tape drives, disc drives, disc files, disc packs, visual image projector tubes, card sorters, plotters, and collators. Peripheral equipment may be used on-line or off-line. Does not include equipment that is an integral part of other capital equipment that is included in other classes of economic activity, i.e., computers used primarily for process or production control, switching, channeling, and automating distributive trades and services such as point of sale (POS) computer systems. Also, does not include equipment of a kind used primarily for amusement or entertainment of the user.	6	5	5
00.13	Data Handling Equipment; except Computers: Includes only typewriters, calculators, adding and accounting machines, copiers, and duplicating equipment.	6	5	6
00.21	Airplanes (airframes and engines), except those used in commercial or contract carrying of passengers or freight, and all helicopters (airframes and engines)	6	5	6
00.22	Automobiles, Taxis	3	5	5
00.23	Buses	9	5	9
00.241	Light General Purpose Trucks: Includes trucks for use over the road (actual weight less than 13,000 pounds)	4	5	5
00.242	Heavy General Purpose Trucks: Includes heavy general purpose trucks, concrete ready mix-trucks, and ore trucks, for use over the road (actual unloaded weight 13,000 pounds or more)	6	5	6
00.25	Railroad Cars and Locomotives, except those owned by railroad transportation companies	15	7	15
00.26	Tractor Units for Use Over-The-Road	4	3	4
00.27	Trailers and Trailer-Mounted Containers	6	5	6
00.28	Vessels, Barges, Tugs, and Similar Water Transportation Equipment, except those used in marine construction	18	10	18
00.3	Land Improvements: Includes improvements directly to or added to land, whether such improvements are section 1245 property or section 1250 property, provided such improvements are depreciable. Examples of such assets might include sidewalks, roads, canals, waterways, drainage facilities, sewers (not including municipal sewers in Class 51), wharves and docks, bridges, fences, landscaping shrubbery, or radio and television transmitting towers. Does not include land improvements that are explicitly included in any other class, and buildings and structural components as defined in section 1.48-1(e) of the regulations. Excludes public utility initial clearing and grading land improvements as specified in Rev. Rul. 72-403, 1972-2 C.B. 102.	20	15	20
00.4	Industrial Steam and Electric Generation and/or Distribution Systems: Includes assets, whether such assets are section 1245 property or 1250 property, providing such assets are depreciable, used in the production and/or distribution of electricity with rated total capacity in excess of 500 Kilowatts and/or assets used in the production and/or distribution of steam with rated total capacity in excess of 12,500 pounds per hour for use by the taxpayer in its industrial manufacturing process or plant activity and not ordinarily available for sale to others. Does not include buildings and structural components as defined in section 1.48-1(e) of the regulations. Assets used to generate and/or distribute electricity or steam of the type described above, but of lesser rated capacity, are not included, but are included in the appropriate manufacturing equipment classes elsewhere specified. Also includes electric generating and steam distribution assets, which may utilize steam produced by a waste reduction and resource recovery plant, used by the taxpayer in its industrial manufacturing process or plant activity. Steam and chemical recovery boiler systems used for the recovery and regeneration of chemicals used in manufacturing, with rated capacity in excess of that described above, with specifically related distribution and return systems are not included but are included in appropriate manufacturing equipment classes elsewhere specified. An example of an excluded steam and chemical recovery boiler system is that used in the pulp and paper manufacturing equipment classes elsewhere specified. An example of an excluded steam and chemical recovery boiler system is that used in the pulp and paper manufacturing industry.	22	15	22

EXHIBIT E

EXHIBIT E



Cost Segregation ATG - Chapter 7.1 Industry Specific Guidance - Casinos

Note: Each chapter in this Audit Techniques Guide (ATG) can be printed individually. Please follow the links at the beginning or end of this chapter to return to either the previous chapter or the Table of Contents or to proceed to the next chapter.

[Chapter 6.8](#) | [Table of Contents](#) | [Chapter 7.2](#)

Field Directive on Asset Class and Depreciation for Casino Construction Costs

LMSB-04-0706-005

July 11, 2006

MEMORANDUM FOR INDUSTRY DIRECTORS, LMSB

DIRECTOR, FIELD SPECIALISTS, LMSB

DIRECTOR, PROFILING AND TECHNICAL GUIDANCE, LMSB

DIVISION COUNSEL, LMSB

DIRECTOR, COMPLIANCE, SBSE

FROM: JoAnn Bank /s/ JoAnn G. Bank
Acting Industry Director, Communications, Technology & Media

SUBJECT: Field Directive on Asset Class and Depreciation for Casino
Construction Costs

INTRODUCTION

This memorandum is intended to provide direction to effectively utilize resources in the classification and examination of a taxpayer who is recovering construction costs through depreciation of tangible property used in connection with a hotel/casino property.

RECOMMENDATIONS

The matrix included in this document contains recommendations for the categorization and lives of various hotel/casino assets. If the taxpayer's tax return position for these assets is consistent with these recommendations, no adjustments should be made to categorizations and lives. If the taxpayer reports assets differently, then adjustments

Furniture -Guest Room	Includes furniture unique to guest rooms and distinguishable from office furniture. For example, beds, dressers, armoires, and night-tables. See also Furniture- Office.	\$ 1245	5 years (57.0 Distributive Trades and Services)
Furniture -Office (includes Communication Equipment and Hook- ups)	Includes desk, chair, credenza, file cabinet, table (whether located in <i>Administrative Areas or Guest Rooms</i>) and other furniture such as workstations. Also includes communication equipment and related hook-ups.	\$ 1245	7 years (00.11 Office Furniture and Fixtures)
Generators	Emergency power generators for building related operations (emergency/safety systems).	\$ 1250	39 years (40 years for purposes of § 168 (g))
	Depreciable assets, whether such assets are section 1245 property or 1250 property, used in the production and/or distribution of electricity with rated total capacity in excess of 500 Kilowatts and/or assets used in the production and/or distribution of steam with rated total capacity in excess of 12,500 pounds per hour for use by the taxpayer in its industrial manufacturing process or plant activity and not ordinarily available for sale to others. Does not include buildings and structural components as defined in section 1.48-1(e) of the regulations. See Asset Class 00.4 (Rev. Proc. 87-56) . Note* asset class 00.4 includes both section 1245 and 1250 property per Rev. Proc. 87-56.	See Note*	15 years (00.4 Industrial Steam and Electric Generation and/or Distribution Systems)