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A. E. Ext. 569

FARM BUSINESS MANAGEMENT ELECTRONIC ACCOUNTING PROGRAM

DEPRECIATION INSTRUCTION MANUAL

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INSTRUCTIONS FOR COMPLETION OF BEGINNING
DEPRECIATION SCHEDULE

The BEGINNING DEPRECIATION SCHEDULE is completed once during the year of initial enrollment. The information recorded on this form corresponds to the cooperator's most current depreciation schedule or that schedule filed at the end of the last calendar year. Items that became fully depreciated last year and those that were disposed of before the beginning of this year should not be entered on this form.

General

Each cooperator needs a minimum of one BEGINNING DEPRECIATION SCHEDULE set which includes three pages. One page is for Machinery and Equipment, one is for Depreciable Real Estate, and the other is labeled Purchased Livestock Held for Dairy and Breeding. Additional sets may be needed for extra copies or for space for additional entries.

1. Heading

Complete the heading on each page used. The name and farm number must correspond to those used on your FARMERS DATA SHEETS. Pages should be numbered consecutively and dated for reference purposes.

2. Inventory Number

Assign consecutive inventory numbers within the following designated ranges; Machinery and Equipment 1000 through 1998; Depreciable Buildings 2000 through 2998; Fences, Silos, Storages, Tile Drains 3000 through 3998; Livestock 4000 through 5998; Trees and Vines 6000 through 6998. For information on assigning inventory numbers to grouped items see Special Instructions for Livestock Entries on page 3.

3. Description

Print the description for each item using no more than 15 spaces for letters, numbers and spaces between words. It will be necessary to abbreviate most descriptions. For information on recording the number in a group of items see Special Instructions for Livestock Entries on page 3.

4. New or Used When Acquired

When the information is available indicate the item was new by printing N, or used by printing U in this column. Ignore this information on the livestock page.

5. Date Acquired

Enter the year and month the item was acquired using two digits for each, (i.e., 69, 02 for February 1969). Round off to the

nearest full month. The month recorded will be counted as the first month of depreciation.

Example: A milk line and milking equipment was purchased on July 15, 1969. Since it was owned more than one-half of the month of July the date to enter is 69, 07. This entry is shown on page 6, inventory number 1021. If the purchase had been made on July 17, the date of entry would have been 69, 08.

When there is no information on month acquired, assume it is 01 unless prior depreciation claimed indicates otherwise.

6. Original Cost or Boot Plus Adjusted Basis of Trade-In

This is the total cost basis of the item when acquired. It is the amount paid or contracted to pay plus the adjusted tax basis of any trade-in. Round off to nearest dollar. Do not record cents.

7. Salvage Value

Report any salvage value taken on items. Round off to the nearest dollar.

8. Method of Depreciation

The depreciation program offers three alternative depreciation methods; straight line, double declining balance (two times straight line rate), and declining balance (one and one-half straight line rate). Indicate the depreciation method used for each item using a 1 for straight line, 2 for double declining balance and 3 for one and one-half declining balance.

9. Years of Life

Enter the years of expected life for each item using two digits.

Example: An expected life of five years would be entered as 05.

10. Additional 1st Year Depreciation Claimed

Report the amount of additional first year depreciation claimed on each item. Round off to the nearest dollar.

11. Investment Credit Claimed

Report the amount of federal investment tax credit claimed and the amount of New York State investment tax credit claimed on each item. Dollars and cents may be entered in each of these columns. If you know investment credit was claimed on an item

but have no record of the amount, recalculate the original claim and enter it in the appropriate column.

12. Depreciation Prior to January 1, 1969

This column is provided for your convenience. Most tax depreciation schedules will contain this information but will not show a total of prior depreciation to date. Enter depreciation claimed or allowable prior to January 1, 1969. This column should include the amount of additional first year depreciation claimed prior to last year. Round off to the nearest dollar.

13. Depreciation Taken 1969

This column is also provided for your convenience. Enter the amount of depreciation claimed or allowable last year. This will correspond to the annual depreciation rate plus any additional first year depreciation claimed last year unless the item was owned only part of the year. Items that became fully depreciated or were disposed of during 1969 should not be entered on this form.

14. Total Prior Depreciation

Enter the total amount of depreciation claimed or allowable prior to January 1, 1969 for each item. Obtain this figure by summing the previous two columns. Round off to the nearest dollar.

Special Instructions for Depreciable Real Estate

1. Depreciable real estate is not eligible for additional first year depreciation. Nothing should be recorded in the blank column.
2. Only fences, silos, certain storages and drain tiles were eligible for federal investment tax credit but all facilities used in farm production are eligible for the New York State investment tax credit.

Special Instructions for Livestock Entries

1. Grouped Items

Groups of livestock may be entered if they appear as a group on the present depreciation record. Enter the appropriate range of inventory numbers in the Inventory Number column.

Enter the number of items in the group in the first part of the Description column. Use no more than 12 spaces for the remainder of the description.

Example: Your depreciation schedule shows a group of three grade heifers purchased on July 10, 1969. The entry should appear as shown in the last example on page 6 of this manual.

2. Do not use the blank columns. Information regarding new or used and investment credit does not apply to livestock.

Checking for Correctness of Entries

The Electronic Accounting Program Depreciation Schedule is based on the beginning depreciation information provided by the farmer. The accuracy and reliability of the final product is affected directly by the correctness of the input data. In checking for correctness on the BEGINNING DEPRECIATION SCHEDULE form, special attention should be given to the following areas.

1. Date Acquired

The date of acquisition is one of the important parts of the formula used to determine how long the item is eligible for depreciation. An incorrect date could cause the program to "cut off" an item before its intended useful life actually expires. Check the date and the years of life against prior depreciation claimed to reveal errors.

2. Method

If one of the declining balance methods is being used a careful check may be necessary to determine if it is double declining balance (two times the straight line rate), or one and one-half declining balance (one and one-half times the straight line rate).

3. Investment Credit Claimed

Enter the amount of investment credit claimed on an item in the year of acquisition, not the amount of investment credit actually used to offset taxes in that year.

4. Depreciation Prior to January 1, 1969

If prior depreciation claimed is less than allowable depreciation for the indicated time period and rate, record the allowable depreciation. If prior depreciation claimed is greater than that allowable, record that actually claimed.

5. Depreciation for 1969

If prior depreciation claimed is less than allowable depreciation for the indicated time period and rate, record the allowable depreciation. If prior depreciation claimed is greater than that allowable, record that actually claimed.

Example Entries

The following two pages contain examples of BEGINNING DEPRECIATION SCHEDULE entries made by Mr. N.Y. Farmer and the Cooperative Extension Farm Management Specialist in his county.

The following areas and items were checked for accuracy after the schedule was completed:

1. Entries in the Date Acquired column correspond to the information available from prior depreciation records and "check out" with prior depreciation claimed.
2. Values in the Cost column represent the total cost basis of each item when acquired by Mr. Farmer. When an item was acquired through a trade, the adjusted tax basis was included.
3. Additional 1st Year Depreciation was only claimed on a few items. This is the farmer's option. The additional first year depreciation claimed is also included under Depreciation Prior to 1-1-69.
4. All Investment Credit Claimed is entered even though some may have been used in latter years.
5. Depreciation Taken 1969 is the annual rate for all items except those acquired during the year.
6. Total Prior Depreciation is a total of the previous two columns.

BEGINNING DEPRECIATION
SCHEDULE

NEW YORK STATE COOPERATIVE
MANAGEMENT ELECTRONIC

Machinery & Equipment

Name NY

Inven. Number 1000-	Description use no more than 15 spaces	N=new U=used when Acquir.	Date Acquired Yr. Mo.		Orig. cost or boot plus adj. basis of trade-in	Sal- vage value
1000	300 B Tractor	U	64	01	1800	—
1001	Corn Planter	U	64	01	400	—
1002	3 Bot Plow	N	64	01	450	—
1014	Apex Baler	N	65	01	2100	—
1015	Frmco Spreader	N	65	07	800	—
1018	Top pow tract	N	66	04	3800	—
1019	Bulk tank	N	67	01	4500	500
1020	67 Auto 1/2 FS	U	69	01	1500	—
1021	Milk line & Equip	N	69	07	1200	—

Depreciable Real Estate

2000	Dairy Barn	U	64	01	7000	—
2001	Hef Barn	U	64	01	2000	—
2002	Misc Bldgs	U	64	01	1000	—
2003	Ten House	U	64	01	4000	—
2008	Milk House	N	67	01	2500	—
3000	Silo 20x60	N	68	07	6200	—

Purchased Livestock Held
for Dairy or Breeding

4000		Black Cow		65	07	400	100
4001		White Hef		65	07	340	100
4002		Cow 36		68	01	500	100
4003- 4005	03	Grade Hefs		69	07	900	300

1/ Other depreciation methods: 2 = double declining balance, 3 = one and

EXTENSION FARM BUSINESS
ACCOUNTING PROGRAM

Page Number 1

Date 10-15-70

Farmer

Farm Number 21-49-333

Depreciation Information								
Method	Yrs.	Add'l 1st	Invest. Credit		Deprec.	Deprec.	Total	
1=SL	of	Yr. Deprec.	Claimed		Prior to	taken	prior	
<u>1/</u>	life	claimed	Fed.	NYS	1-1-69	1969	Deprec.	
1	10	—	126	00	—	900	180	1080
1	08	—	28	00	—	250	50	300
1	10	—	31	50	—	225	45	270
1	08	320	147	00	—	1210	223	1433
1	05	—	18	67	—	560	160	720
2	10	—	266	00	—	1733	413	2146
2	10	800	280	00	—	1952	410	2362
1	05	—	23	33	15 00	—	300	300
1	10	240	—	12	00	—	288	288

1	20	—	—	1750	350	2100	
1	15	—	—	667	133	800	
1	10	—	—	500	100	600	
1	20	—	—	1000	200	1200	
1	20	—	—	625	125	750	
2	20	434	00	—	310	589	899

1	05	—	—	—	210	60	270
1	06	—	—	—	140	40	180
3	05	—	—	—	120	84	204
1	05	—	—	—	—	60	60

one-half declining balance.

INSTRUCTIONS FOR ENTERING THIS YEAR'S
CAPITAL TRANSACTIONS

The short depreciation form entitled This Year's Capital Transactions is to be used to report capital transactions occurring during the current tax year. It should be completed and submitted early in December. This form can also be used to report changes in or additions to depreciation information after tax management decisions are made at the end of the year. Instructions for using the form for this purpose are on page 13. The transactions recorded on this form should correspond to capital transactions reported in the cooperators monthly electronic accounting reports.

General

There are three pages included in this set of forms. The first page is for Capital Sales and Other Dispositions occurring during the year. The second page is for Capital Purchases. Page three is provided to record information on the acquisition of non-depreciable farm property and property acquired through gift or inheritance. Use as many of these forms as necessary to enter all transactions.

Heading

Complete the heading on each form or page used. The name and farm number must correspond to those used on FARMERS DATA SHEETS. Pages should be numbered consecutively and dated for reference purposes.

Capital Sales and Other Dispositions

Enter all capital sales or other dispositions that occurred during the year. Refer to transaction code 1-2 items on your monthly electronic accounting reports. The order of capital transactions listed in the electronic accounting operating statement is similar to the order of items on this form.

1. Depreciable Livestock

Enter all cows, bulls, heifers and other livestock that were on the beginning depreciation schedule and were sold, traded, died, eaten or given away during the year.

Inventory Number or Numbers - Enter the inventory number of the animal disposed of. This number must be the same as the one originally assigned to this animal. When the animal or animals disposed of are part of a group, use the appropriate number or range of numbers from this group to identify animals disposed of.

Number Sold - Use this column only to identify the number of animals disposed of from a group. Always use two digits in this column.

New Description - Use this column only for the new identification of a remaining group of animals. When animals are removed from a group, the number remaining in the group must be changed. The letter description may also be changed.

Example of Partial Group Disposal - Mr. Farmer slaughtered one of the grade heifers purchased in July, 1969 during September 1970. The correct entry is shown as inventory number 4005 on page 14.

Disposal Date - The depreciation program will count the month you enter in this column as the last month for depreciation on this item. Therefore, if an item is disposed of before the fifteenth day of any month enter the previous month in the appropriate column. If an item is disposed of after the fifteenth day enter that month in the disposal date column.

For example: Inventory number 4005 on page 14 was slaughtered on September 19th. The heifer was in the herd more than one-half of the month of September and 09 was entered in the disposal date column.

Disposal Code - Enter the code number that represents the method of disposition used. Enter 1 for items sold, 2 for items traded, 3 for items lost (include casualty losses), 4 for livestock that died or were eaten and 5 for items given away.

Amount of Sale - Use this column to enter the net amount received for items sold (sale price less selling costs).

2. Depreciable Machinery, Equipment and Real Estate

Enter the inventory number, disposition date, disposition code and the amount of sale for all items disposed of during the year that appeared on last year's or the beginning depreciation schedule. All instructions pertaining to capital sales of depreciable livestock on this page, except those related to grouped items, should be followed when making machinery disposition entries.

3. Other Farm Real Estate and Machinery Not on Depreciation Schedule

Use this section to report information on the disposition of farm assets that will affect the year-end farm business summary but will not affect the tax depreciation schedule.

Capital Purchases and Other Acquisitions

Enter all capital purchases that occurred during the year. Refer to transaction code 2-2 in your monthly electronic accounting reports.

1. Depreciable Livestock, Depreciable Real Estate, Farm Machinery and Equipment

List all items individually except livestock which may be grouped. For depreciation guidelines refer to page 17.

Inventory Number - Assign unused inventory numbers that are set aside for the various classes of property. Use 1000 through 1998 for machinery and equipment, 2000 through 2998 for buildings, 3000 through 3998 for fences, silos, grain storages and tile drains, 4000 through 5998 for livestock, and 6000 through 6998 for trees and vines. If livestock are grouped enter the appropriate range of inventory numbers. Refer to page 15 for an example.

Description - Enter your description of each item using no more than 15 spaces for single items. Grouped livestock must be limited to 12 spaces following the number designating volume.

New or Used When Acquired - Indicate if the item is new or used with an N for new and U for used. Leave this column blank when making livestock entries.

Date Acquired - Enter the year and month of acquisition. The month recorded will be counted as the first month of depreciation. If an item was acquired before the sixteenth day of the month, enter the two digits representing that month. If an item was acquired after the sixteenth day enter two digits representing the following month.

Example: Inventory numbers 2009 and 2010 on page 15 were purchased on August 20, 1970. Since the farm was owned for less than one-half of the month of August, 09 was entered in the date acquired column.

The date of acquisition for buildings constructed should correspond to the completion date.

Cost or Boot Paid - Report the amount paid or contracted to pay for each item. For items acquired through a trade report the amount of "boot" you agreed to pay. Enter the total cost of all animals when livestock are grouped.

Salvage Value - Enter the amount of salvage value you wish to set aside on each item or the total amount for a group of livestock.

Method of Depreciation - Indicate the method of depreciation selected by entering the appropriate code number. Enter 1 for straight line, 2 for double declining balance (twice the straight line rate), 3 for one and one-half declining balance (one and one-half the straight line rate). When grouping livestock use only the straight line method. Double declining balance is limited to new machinery, new buildings and fences, silos, drain tiles, and grain storages.

Years of Life - Enter the expected years of life for each item. When livestock is grouped enter an average life for the animals in the group.

Additional 1st Year Depreciation - If you wish to claim additional 20 percent first year depreciation on an item enter Y for yes. If not enter N for no. Additional first year depreciation is limited to machinery and livestock with a useful life of six years or more. It will be computed on "boot" money only.

New York State Investment Tax Credit - Enter Y if you wish to claim New York State Investment Credit on any facility used for production purposes which has an expected life of four years or more. If not, enter N for no. A facility defined in Webster's Third New International Dictionary is:

"Something that is built, constructed, installed or established to perform some particular function or to serve or facilitate some particular end."

Inventory Number of Trade - Enter the inventory number or numbers of any item or items that were traded-in for the new item listed on this line. If more than one new item was acquired when an old item was traded-in, enter the inventory number of the traded-in item on the appropriate lines and attach an explanation. The trade-in identified in this column must correspond to one of the disposal transactions entered under Capital Sales and Other Dispositions.

2. Farm Land and Non-Depreciable Buildings

Use this part of the form to report any land or non-depreciable buildings acquired during the year. This information will not

affect the tax depreciation schedule but is important for year summary purposes. Include gifts of farm land and non-depreciable buildings. Report the market value of gifts in the cost column.

Example: Mr. Farmer purchased a second farm in August of 1970. The total cost was \$30,000 which he allocated to buildings and land. The barn and tenant house were entered under depreciable real estate. The land is entered in part 2 and is shown at the bottom of page 15.

Depreciable Farm Assets Acquired by Gift

Depreciable Farm Assets acquired by gift or from a decedent should be entered under B. Capital Purchases.

1. Depreciable Livestock, Real Estate, Machinery & Equipment

Enter your cost basis for the property received in the cost column. You will need to know the property's adjusted tax basis to the donor, its fair market value and the amount of gift tax paid in order to calculate your cost basis. Refer to Chapter 9 of the Farmers Tax Guide for instructions.

Example Entries

Page 14 and 15 contain example entries made by Mr. Farmer using the short form, entitled This Year's Capital Transactions.

Page 14 contains several examples of capital sales and dispositions that occurred this year. Note that all these items appeared on the beginning depreciation schedule on pages 6 and 7.

Page 15 contains examples of capital purchases made during the year. The form shown on page 15 is a combination of the last two pages in the short form packet. The capital purchases are listed in the order Mr. Farmer found most convenient. Any convenient order is acceptable.

Since this form was completed on the first day of December, Mr. Farmer made tentative decisions regarding depreciation methods and options. He referred to the depreciation guidelines on page 17 to determine the appropriate methods and options available.

REPORTING CHANGES OR ADDITIONS TO THIS YEAR'S
CAPITAL TRANSACTIONS

The short depreciation form entitled This Year's Capital Transactions may be used after the end of the year to report changes or additions to this year's capital transactions submitted early in December. A cooperator may find it desirable to change the depreciation information on some items for tax management purposes.

For Example: Mr. Farmer may find that he will have a large income tax to pay unless some year-end adjustments can be made. He may wish to change inventory number 1023, the 400C Tractor, to use a faster depreciation method. He may also wish to take one and one-half declining balance depreciation on livestock purchased.

To report changes in items, record the original entry as it appeared on the short form submitted in December and enter an X at the left of the inventory number. Make the new entry, including all changes, on the line following the original entry.

MANAGEMENT ELECTRONIC ACCOUNTING PROGRAM

Date 12-1-64Name N.Y. Farmer Farm Number 21-49-333

B. Capital Purchases, (TRCD2-2), and other acquisitions.

1. Depreciable livestock (list individually or group), depreciable real estate, farm machinery and equipment. (When grouping report range of inventory numbers 1/ number in groups, 2/ average date acquired, total costs, total salvage value and average life.)

Inven. no. <u>1</u> /	Description no more than 15 spaces <u>2</u> /	N=new or U=used	Date acq. yr. mo.	Cost or boot pd.	Sal- vage val.	Meth. <u>3</u> / 1=SL 2=DDB	Yrs. of life	Y=yes or N=no Add'l 1st yr. dep. <u>4</u> / NYS inv. crd. <u>5</u> /	Inven. no. of trade
<u>4006</u>	<u>Cow Beauty</u>		<u>70 01</u>	<u>525</u>	<u>100</u>	<u>1</u>	<u>5</u>	<u>N</u>	<u>-</u>
<u>4007</u> <u>4008</u>	<u>2 Calves H's</u>		<u>70 05</u>	<u>250</u>	<u>150</u>	<u>1</u>	<u>7</u>	<u>N</u>	<u>-</u>
<u>2009</u>	<u>2nd Farm-Barn</u>	<u>U</u>	<u>70 09</u>	<u>4000</u>	<u>-</u>	<u>3</u>	<u>10</u>	<u>N</u>	<u>-</u>
<u>2010</u>	<u>2nd Farm-H's</u>	<u>U</u>	<u>70 09</u>	<u>10000</u>	<u>-</u>	<u>3</u>	<u>20</u>	<u>N</u>	<u>-</u>
<u>3001</u>	<u>Tile Fl'd 8</u>	<u>N</u>	<u>70 07</u>	<u>1600</u>	<u>-</u>	<u>1</u>	<u>20</u>	<u>N</u>	<u>-</u>
<u>1022</u>	<u>Sp Wintrower</u>	<u>N</u>	<u>70 04</u>	<u>2400</u>	<u>-</u>	<u>2</u>	<u>10</u>	<u>Y</u>	<u>-</u>
<u>1023</u>	<u>Tract 400C</u>	<u>U</u>	<u>70 07</u>	<u>1800</u>	<u>-</u>	<u>1</u>	<u>10</u>	<u>N</u>	<u>1000</u>

(Footnotes 1/ through 5/ appear on standard form.)

	Description	Date of Purchase	Cost
2. Farm land and non-depreciable buildings. (include gifts of farm land and non-depreciable buildings. Report market value in cost column.)	<u>2nd Farm-land</u>	<u>70 08</u>	<u>16000</u>

INFORMATION ON SAMPLE REPORT

A sample of the electronic accounting program depreciation report can be made available to anyone interested. The sample print-out is a year-end depreciation schedule for Mr. N.Y. Farmer and it contains the depreciation data resulting from all the sample entries in this manual. The report includes several fundamental or standard features common to most depreciation records used by farmers. It also contains additional features that will be of value to cooperators. Some of the information available in the report is listed below.

Standard Features - Print-out of farmer's description, inventory number, date acquired, make-up of cost basis, additional first year depreciation claimed, investment credit claimed, prior depreciation, depreciation to claim this year, balance left for depreciation, totals for several columns and types of depreciation to claim this year.

Additional Features - Separate totals for three general classes of property, a record of New York State Investment Credit claimed, and messages indicating when items are fully depreciated. When an item is disposed of a message indicates its unrecovered cost, the net loss or gain and the investment credit to pay back. A record of each item's adjusted tax basis and several other features are included.

GUIDELINES FOR DEPRECIATION FOR FARM ASSETS

Description	Additional 1st. Yr. Dep.	Depreciation Methods	Suggested Life	B a s i s f o r C o m p u t i n g :			Add. 1st. Yr. Dep.
				St. Line Depreciation	Declining Balance Dep.	Sum of Digits Dep.	
NEW MACHINERY PURCHASED	Yes - 6 yrs. or more life	St. Line - yes D. Bal. - 3 yrs. or more life Digits - 3 yrs. or more life.	10 Yrs.	Boot paid plus undep. balance on trade less add. 1st. yr. dep. less re- quired salvage val.	Boot paid plus undep. bal. on trade less addi- tional 1st. year dep.	Boot paid plus undep. bal. on trade less add. 1st. year dep. less required salvage value	Boot only
USED MACHINERY PURCHASED	Same as above	St. Line - yes D. Bal. - 3 yrs. or more life and limited to 1 $\frac{1}{2}$ st. line rate. Digits - no.	No Guide	Same as above	Same as above	Not eligible	Boot only
NEW BUILDINGS	Not eligible	St. Line - yes D. Bal. - 3 yrs. or more life. Digits - 3 yrs.	25 Yrs.	Cost	Cost	Cost less salvage value	Not eligible
USED BUILDINGS PURCHASED	Not eligible	St. Line - yes D. Bal. - 3 yrs. or more life and limited to 1 $\frac{1}{2}$ st. line rate. Digits - no.	No Guide	Same as above	Cost	Not eligible	Not eligible
FENCE, SILOS GRAIN STORAGES DRAIN TILE	Not eligible	St. Line - yes D. Bal. - 3 yrs. or more life. Digits - 3 yrs. or more life	25 Yrs. Fence 10 yrs.	Same as above	Cost	Cost less salvage value	Not eligible
BREEDING AND DAIRY ANIMALS PURCHASED	Yes - 6 yrs. or more life	Same as above. (except limited to 1 $\frac{1}{2}$ st. line rate on d. bal. for livestock)	3-10 Yrs.	Boot paid plus undep. balance on trade less 1st. yr. dep. less salvage value.	Boot paid plus undep. bal. on trade less 1st. year additional dep.	Boot paid plus undep. bal. on trade less 1st. yr. add. dep. less sal. val.	Boot only
FRUIT TREES AND VINES	Not eligible	Same as above	No Guide	Cost	Cost	Cost	Not eligible

