### 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 straightforward 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.

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<table>
<thead>
<tr>
<th>Description of property</th>
<th>Cost (business use only)</th>
<th>Elected cost of section 179 property</th>
<th>Business or activity to which this form relates</th>
</tr>
</thead>
<tbody>
<tr>
<td>3-year property</td>
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<tr>
<td>5-year property</td>
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<td>7-year property</td>
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<td>10-year property</td>
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<tr>
<td>12-year property</td>
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<tr>
<td>14-year property</td>
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<tr>
<td>16-year property</td>
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</tr>
</tbody>
</table>

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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)  14,500
2. Total cost of section 179 property placed in service (see instructions)  14,500
3. Threshold cost of section 179 property before reduction in limitation (see instructions)  14,500
4. Reduction in limitation. Subtract line 3 from line 2, if zero or less, enter -0-  0
5. Dollar limitation for tax year. Subtract line 4 from line 1. If zero or less, enter -0-. If marked filing separately, see instructions  14,500
6. Description of property
   A. Elected cost of property  14,500
   B. Cost business use only  14,500
   C. Declared cost  14,500
7. Listed property. Enter the amount from line 29  14,500
8. Total elected cost of section 179 property. Add amounts in column (c), lines 6 and 7  14,500
9. Tentative deduction. Enter the smaller of line 5 or line 8  14,500
10. Carryover of disallowed deduction from line 13 of your 2017 Form 4562  0
11. Business income limitation. Enter the smaller of business income (not less than zero) or line 5. See instructions  0
12. Section 179 expense deduction. Add lines 9 and 10, but don’t enter more than line 11  14,500
13. Carryover of disallowed deduction to 2019. Add lines 9 and 10, less line 12

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MACRS Depreciation

- Don’t use Part II or Part III below for listed property. Instead, use Part V.

14. Special depreciation allowance for qualified property (other than listed property) placed in service during the tax year. See instructions  0
15. Other depreciation (including ACRS)  0

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

- Classification of property
- Basis for depreciation
- Recovery Convention
- Method
- Depreciation deduction
- Section C—Assets Placed in Service During 2018 Tax Year Using the Alternative Depreciation System

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For Paperwork Reduction Act Notice, see separate instructions.

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See other side for tax form samples.

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Fire is fast. Fire sprinklers are faster.