

line (SL), 150 percent declining balance with a switch to straight line (DBSL (150)), and 200 percent declining balance with a switch to straight line (DBSL (200)). Tax life and tax recovery method can vary by industry. For example, the tax life of structures owned by farm businesses is limited to 20 years; farm businesses are assumed to depreciate all equipment and structures using the 150-percent declining balance method. Table 6 gives the tax lives and tax recovery methods that the cost-of-capital model generally assigns to depreciable assets owned by nonfarm businesses.

- a. Economic depreciation rates are taken from Hulten and Wykoff (1981) and BEA (2003).
- b. IRS *Publication 946* largely determines the assignment of tax life and tax recovery method by asset and industry.
- c. Tape drives and disk access storage devices DASD are omitted from the listing of nonresidential equipment because their stock values had fallen to zero by 2008.
- d. We assume that firms expense system integrators, custom software, and own-account software.
- e. In calculating the present value of tax depreciation, almost 80 percent of electric power structures are assumed to have a recovery period of 20 years and just over 20 percent to have a recovery period of 15 years.

See Charles R. Hulten and Frank C. Wykoff, 1981, "The Measurement of Economic Depreciation" in *Depreciation, Inflation, and the Taxation of Capital Income*, Washington, DC: The Urban Institute, pp. 81-125; U.S. Department of Commerce, Bureau of Economic Analysis, 2003, "Fixed Assets and Consumer Durable Goods in the United States, 1925-1997" (September), available at http://www.bea.gov/national/pdf/Fixed_Assets_1925_97.pdf; U.S. Department of the Treasury, Internal Revenue Service, *Publication 946 How to Depreciate Property, for Use in Preparing 2012 Returns*, available at <http://www.irs.gov/pub/irs-pdf/p946.pdf>.