

Depreciation Calculations & Useful Life Information

CARPET: Carpets are typically depreciated over 5 years. This applies, however, only to carpets that are tacked down. If the carpet is glued down (perhaps in a basement) then it becomes “attached” to the property and must be depreciated over 27.5 years.

APPLIANCES: the depreciation of an appliance is looked at as if the appliance is bought and placed in service at the mid-point of the year (July 1), regardless of the actual purchase date. This is called "Half Year Convention".

A couple of additional pointers should be made:

- Used appliances purchased for a rental property are treated the same as new ones. Both are depreciated over 5 years.
- If a new appliance is purchased for one's home and the old one is placed in the rental then the amount used for depreciation is the value of the used one at the time it was placed in the rental property (not the price of the new one bought for the owner's residence).
- Sales tax, delivery charges, and setup fees are all included in the purchase price amount being depreciated.

Differences Between Normal Wear and Tear vs Damage

Type of Material	Average Useful Life	Normal Wear and Tear (Landlord's Responsibility)	Tenant Damage (Tenant's Responsibility)
Carpet	5 years	Gently worn carpets that show some worn patches but no holes or stains	Pet caused damage such as heavily stained carpets and ripped carpeting
Hardwood Flooring	25 years	Fading of flooring due to sunlight exposure	Deeply scratched hardwood floors or pieces of the hardwood missing
Tile Flooring	25 years	Dirty grout surrounding the tiles	Broken or chipped tiles or missing tiles
Windows	20 years	Lightly scratched glass and worn, loose hardware	Broken glass, ripped screens, broken window hardware
Countertops	20+ years	Scratches and light watermarks	Chipped countertops, burnt areas, and/or multiple stains
Walls	Lifetime	Cracks in the walls caused by settling	Holes in the walls, damage from hanging pictures
Paint	3 years	Fading paint from sunlight and minor scuffing from daily use	Paint that has been scribbled on, unauthorized paint colors