

→ **4-2 [1201.4-2] Rates of depreciation.**

(a) A separate composite annual percentage rate for each depreciable property account, or a subgroup in that account, shall be used in computing annual depreciation expenses and accumulated depreciation. The composite rates shall be based on the results of a depreciation study performed by each railroad. A depreciation study shall, in general, contain the following components:

(i) Actuarial or semiactuarial methods for determining service lives for road and equipment properties;

(ii) Salvage value calculations for road and equipment properties;

(iii) Accumulated depreciation for each account or subaccount as appropriate;

(iv) Other factors and related calculations involving the depreciation process; and

(v) A commentary on any adjustments and judgmental factors used in the study.

(b) Railroads shall submit to the Board for review and approval a report on depreciation studies and proposed depreciation rates every three years for equipment property, and every six years for road property. Railroads can, however, submit depreciation studies prior to its scheduled year, in which case a new cycle will begin.

(c) In computing monthly depreciation charges, the annual percentage rates shall be applied to the depreciation base as of the first of each month and the results shall be divided by twelve.

(d) Class II railroads are exempt from the three-year

and six-year cyclical reviews, but shall submit depreciation studies when requested by the Board. Class III railroads are not required to submit depreciation studies.

(e) A separate track depreciation rate shall apply to each primary property account in each track density category as provided in Instruction 4-3(d). Track depreciation rates shall be developed by estimating the average life based on an acceptable depreciation methodology, consistently applied, including as an option the units of production method based on gross ton-miles per mile of track.

[[42 FR 35017](#), July 7, 1977, as amended at [46 FR 20210](#), Apr. 3, 1981; [48 FR 7184](#), Feb. 18, 1983]

SOURCE: [42 FR 35017](#), July 7, 1977; [52 FR 4321](#), Feb. 11, 1987; [61 FR 9113](#), March 7, 1996; [69 FR 58366](#), Sept. 30, 2004, unless otherwise noted.

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49 C. F. R. § 1201.4-2, 49 CFR § 1201.4-2

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