

CenterPoint Accounting for Agriculture - Compliance Validation

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This option allows you to perform various compliance tests on a fixed asset (assets marked as non-depreciable will not be included in the compliance checks). Fixed assets are evaluated for their compliance with depreciation tax law for a given company, schedule and year placed in service. The Compliance Validation screen displays the following columns:

- » **Results** - The values in the Results column are either Passed or Failed and indicate whether the assets evaluated in the test comply or do not comply with the test.
- » **Test** - The test column is a short description of the test.
- » **Description** - The Description column gives a longer but still brief description of the test. The following are the name and description of each test:
 - » **Data Filled** - The information required to calculate depreciation for assets on this schedule has been supplied.
 - » **Same Method** - All assets placed in service in the same year and in the same property class must be depreciated with the same method. An exception is allowed for listed property used 50% or less for business. Those assets must be depreciated using the ADS Straight Line method.
 - » **Convention** - When 40% or more of the current year personal property assets (3, 5, 7, 10, 15 and 20 year property) are placed in service in the 4th quarter all personal property assets must use the Mid-Quarter convention. Otherwise, the personal property assets must use the Half-Year convention.
 - » **Total Section 179** - Section 179 taken on current year assets must be below limit.
 - » **SUV Section 179** - Section 179 taken on an SUV may not exceed the limit.
 - » **Luxury Auto Limit** - Total 179, SDA and depreciation on an individual asset must not exceed limit. Autos, trucks, vans and SUVs less than 6000lbs have limits placed on the total allowable depreciation that may be taken in a given year. The amounts vary by the type of vehicle, year placed in service and whether or not SDA was taken. The allowable amount is also reduced by the percentage of personal use.
 - » **Consistent SDA** - All assets within the same property class qualifying for SDA placed in service in the same year must take or not take SDA or elect out of taking SDA. Assets must be in a 3, 5, 7, 10, 15 or 20 year property class and be used more than 50% to qualify. Assets must be in a 3, 5, 7, 10, 15 or 20 year property class and be used more than 50% to qualify. For companies on a fiscal year, when this compliance test is performed when purchases in one year qualify and the next year they do not, it will fail.
 - » **Listed Property SDA** - Current year listed property used 50% or less is not eligible for SDA. Assets are only eligible for SDA if they are used more than 50% for business purposes.
 - » **Listed Property Method** - All property used 50% or less for business must be depreciated using the ADA Straight Line method.
 - » **Listed Property 179** - Current year listed property used 50% or less is not eligible for 179. Assets are only eligible for Section 179 if they are used more than 50% for business purposes.
 - » **State Information Required** - When state schedules are used to depreciate fixed assets for a given company, the state designation must be supplied in the company's address and the company type must also be provided. These will be used to identify specific state depreciation rules that will override federal regulations for the state schedule used.
 - » **Correct Property Class** - Assets assigned property classes available in capital asset type.
 - » **Traded After 2018** - Personal property assets cannot be traded after 12/31/2017.
 - » **Depreciation Posted** - The General Ledger updated with current depreciation values. Note: This compliance test is only performed on databases with the File > Preferences > Depreciation > Client Type = Complete Accounting.

If a fixed asset fails a compliance test, it will have a red background. Select the failed test and click **Display Details** to display the Results tab for more information about the failed compliance test.

Under the Compliance Tests section, a detailed description displays about what the test is and what it means to the assets placed in service in the selected year.

The grid displays information applicable to the test for the assets involved in the test and additional information that helps to identify the compliance problem. Assets that are not compliant with the selected test will have a red background. To select only the assets that are not compliant, select the **Display only non-compliant assets** check box.

Under the Action section, the action you can take to make the asset comply for the test will display. Select the Display only non-compliant assets check box to view only the assets that are not compliant.

Select each non-compliant asset, make the appropriate change and then click **Update**. To re-run the compliance test, click **Back**.



Note: CenterPoint will not make any changes as the result of a compliance check to assets marked as coming from a previous system.

The compliance validation is performed automatically when the following reports are processed (all validations are performed except for the Depreciation Posted validation):

- » Fixed Asset Listing
- » Beginning Fixed Asset Listing
- » Fixed Asset Reconciliation
- » Fixed Asset Acquisitions
- » Fixed Asset Dispositions
- » Depreciation and Amortization

If any of the compliance validation tests fail during the processing of the report, the Compliance Validation screen displays. You can make some changes to assets from this screen for some tests, but not all. Changes made will affect the report that is being processed. Other changes that cannot be made from this screen will need to be made after closing the Compliance Validation screen. The report will continue to be produced with unchanged values. The report will likely need to be processed again once the changes are made.

To perform compliance validation from the Processes menu:

1. On the **Processes** menu, point to **Depreciation**, and then click **Compliance Validation**.
2. The first **Company** and **Depreciation Schedule** in the list will automatically be selected, but can be changed.
3. Select the **Tax Year**.
4. In the grid, verify the Result of the test. Failed compliance tests will display with a red background.
5. To view more information about a failed test, select the test and then click **Display Details**.
6. Select the asset that failed the compliance test.
7. View the **Action** that can be taken to make the asset compliant. Change the asset as the action suggests.
8. Click **Update**. Click **Back**.

To perform compliance validation from the Fixed Asset screen:

1. On the **Setup** menu, point to **Fixed Assets**, and then click **Fixed Assets**.
2. Select the fixed asset you want to validate. Click **Edit**.
3. Select the **Depreciation Schedules** tab.
4. Click **Compliance**.
5. Select the **Company**, **Depreciation Schedule** and **Tax Year**.
6. In the grid, verify the Result of the test. Failed compliance tests will display with a red background.
7. To view more information about a failed test, select the test and then click **Display Details**.
8. Select the asset that failed the compliance test.
9. View the **Action** that can be taken to make the asset compliant. Change the asset as the action suggests.
10. Click **Update**. Click **Back**.