

Cost Segregation Study Summary

Property Details:

- **Type:** 4-story apartment building
- **Purchase Price:** \$25,000,000
- **Acquisition Date:** June 6, 2022
- **Total Units:** 102 (all identical)
- **Land Allocation:** 23% (\$5,750,000)
- **Depreciable Basis:** \$19,250,000 (Building & Improvements)
- **Amenities:** Pool, Parking Garage, Recreation Center

Depreciation Analysis:

- **Previous Method:** Straight-line (27.5-year residential rental property)
- **Cost Segregation Approach:** Reclassifying components into 5-year, 7-year, and 15-year life categories per IRS guidelines

Reallocated Asset Categories:

- **5-Year (Personal Property):** ~15% (\$2,887,500)
 - Includes carpets, appliances, cabinetry, electrical fixtures, and specialty finishes
- **7-Year (Land Improvements):** ~5% (\$962,500)
 - Includes outdoor signage, certain fencing, and site improvements
- **15-Year (Land Improvements):** ~15% (\$2,887,500)
 - Includes parking lot, pool, drainage, and landscaping
- **27.5-Year (Building Structure):** Remaining Basis (~65%)

Tax Benefits:

- **Bonus Depreciation:** Property acquired before 2023 qualifies for 100% bonus depreciation on 5-, 7-, and 15-year property
- **Accelerated Depreciation in Year 1:** ~\$6,737,500 (sum of 5-, 7-, and 15-year categories)
- **Potential Tax Savings (Assuming 37% Tax Rate):** ~\$2,493,875 in Year 1