



Cost Segregation Study — Short-Term Rental Property

123 Palm Vista Drive, Scottsdale, AZ 85251

Purchase Price

\$1,000,000

Accelerated Asset Reclassification

\$258,690

Depreciable Basis

\$699,200

Report Number

CSS-20260305-91944

Prepared for: Jane Smith

Study Date: March 05, 2026

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Engineering-Based Cost Segregation Report

CSS-WP-010

Dear Jane Smith,

Cost Seg Smart was engaged to perform an engineering-based cost segregation study for the property located at 123 Palm Vista Drive, Scottsdale, AZ 85251. This study aims to identify and classify the various components of the property for depreciation purposes under the Modified Accelerated Cost Recovery System (MACRS).

Our procedures involved an engineering-based analysis utilizing construction cost manuals, IRS asset classification guidance, and property characteristics derived from public records and taxpayer-provided information. This study was conducted in accordance with the IRS Cost Segregation Audit Techniques Guide (ATG).

The study identified a total of \$258,690 in accelerated depreciation, representing 37.0% of the depreciable basis. This includes \$137,812 classified as 5-year property and \$117,050 as 15-year property. The applicable bonus depreciation rate is 100% for assets placed in service in 2025.

The study was conducted based on information provided by the taxpayer, and the results are subject to the accuracy of this data. It is important to note that the findings are contingent upon the taxpayer's specific circumstances and should be verified with supporting documentation.

The scope of this study was limited to the identification and classification of assets for depreciation purposes and does not constitute a valuation of the property. We recommend that the findings be reviewed with a qualified tax advisor to ensure proper application in the taxpayer's tax filings.

Report No.: CSS-20260305-91944

Sincerely,

Cost Seg Smart Engineering & Tax Analysis Team costsegsmart.com

If your CPA has questions about this report, they can reach us directly at support@costsegsmart.com.

1. Executive Summary

Short-Term Rental Property

CSS-WP-100

The study identified \$258,690 of assets eligible for accelerated depreciation — 37.0% of the property's depreciable basis.

The subject property is classified as Residential Rental Property under IRC §168(e)(2), with a default recovery period of 27.5 years. The purpose of this study is to identify components that qualify for shorter recovery periods, thereby accelerating depreciation deductions. As a short-term rental property, material participation considerations under IRC §469 are relevant, and the analysis of furniture, fixtures, and equipment (FF&E;) is particularly pertinent. The study identified 37.0% of the property's depreciable basis as eligible for accelerated depreciation.

Scope of Work

This cost segregation study was performed to identify property components that may qualify for accelerated depreciation under the Modified Accelerated Cost Recovery System (MACRS) in accordance with Internal Revenue Code §168. The analysis applied engineering-based estimation techniques using construction cost references, public property records, and applicable IRS asset classification guidance to allocate portions of the building cost to shorter recovery period property.

The study was conducted in a manner consistent with the principles outlined in the IRS Cost Segregation Audit Techniques Guide (ATG). The results presented in this report are intended to assist the taxpayer and their tax advisor in determining appropriate depreciation treatment for federal income tax purposes.

All cost allocations in this report represent engineering-based estimates derived from construction cost data, property characteristics, and applicable tax guidance. This study does not constitute tax, legal, or accounting advice and should be reviewed by the taxpayer's qualified tax advisor prior to filing.

Reclassification Results

Our analysis identified **\$258,690** (37.0% of depreciable basis) in building components that qualify for accelerated depreciation.

This reclassification allows **\$258,690** of assets to qualify for accelerated depreciation, which may generate a first-year deduction of up to **\$258,690** under 100% bonus depreciation, subject to the taxpayer's individual tax circumstances.

Tax Timing Impact

The placed-in-service year for this property is 2025, qualifying it for 100% bonus depreciation under IRC §168(k). The One Big Beautiful Bill Act (OBBBA), signed in July 2025, permanently restored 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025.

Engineering Observations

Based on the wood frame residential construction typical of 2018-era builds in the Scottsdale, AZ market, our analysis identified component-level allocations consistent with properties of this age, construction class, and quality tier. This short-term rental property includes hospitality-grade furnishings, fixtures, and equipment (FF&E;) classified as 5-year and 7-year personal property under Rev. Proc. 87-56. FF&E; items identified include furniture, electronics, linens, kitchen smallwares, and decorative items subject to accelerated recovery periods.

Metric	Value
Purchase Price	\$1,000,000
Land Value (Non-Depreciable)	\$300,800
Total Depreciable Basis	\$699,200
5-Year Personal Property	\$137,812 (19.7%)
15-Year Land Improvements	\$117,050 (16.7%)
27.5-Year Real Property	\$440,510 (63.0%)
Total Accelerated Asset Reclassification	\$258,690 (37.0%)

Building Cost Allocation



A uniform reconciliation scalar of **1.08** (diagnostic ratio $rf_{raw} = 1.08$) was applied to reconcile modeled Replacement Cost New (RCN) component totals to transaction-implied depreciable basis. A scalar near 1.00 indicates close alignment between modeled replacement cost and market transaction price; this value falls within the normal 0.85–1.25 variance range.

Industry Benchmarks

This study identified 37.0% accelerated depreciation, higher than the typical 25%-35% range, reflective of the measured component allocation for this property. The allocation reflects the measured proportion of reclassifiable components identified in the analysis, including Site Work at \$124,775 (17.8% of basis) and FF&E; at \$72,919 (10.4% of basis) and Appliances at \$16,165 (2.3% of basis).

2. Property Summary

CSS-WP-200

Property Detail	Information
Owner	Jane Smith
Property Address	123 Palm Vista Drive, Scottsdale, AZ 85251
Property Type	Short-Term Rental
Date of Acquisition	2025-06-15
Purchase Price	\$1,000,000
Building Area	2,200 SF
Year Built	2018
Bedrooms / Bathrooms	4 BR / 3 BA
Construction Type	Wood Frame Residential
Property Features	Pool, Deck, Appliances, Landscaping

Property Classification

This property is classified as **Residential Rental Property** under IRC Section 168(e)(2)(A). The default recovery period for the building structure is **27.5 years** under the General Depreciation System (GDS) of MACRS. Through cost segregation, certain components are reclassified to shorter recovery periods as permitted by the Internal Revenue Code.

3. Cost Allocation Summary

CSS-WP-210

\$258,690 of the property's \$699,200 depreciable basis was reclassified into shorter recovery periods.

The following table summarizes the allocation of the property's depreciable basis among the various MACRS recovery period categories. Components have been classified based on their function, construction, and relationship to the building per IRS guidelines.

Asset Category	IRS Recovery Period	Allocated Cost	% of Basis
Personal Property	5-Year MACRS	\$137,812	19.7%
Personal Property	7-Year MACRS	\$3,828	0.5%
Land Improvements	15-Year MACRS	\$117,050	16.7%
Real Property (Building)	27.5-Year Straight Line	\$440,510	63.0%
Total Depreciable Basis		\$699,200	100.0%
Total Accelerated (Reclassified)		\$258,690	37.0%

Property Characterization (IRC §1245 / §1250)

Asset Category	IRC Section	Recapture Treatment	Amount
5-Year Personal Property	§1245	Ordinary income recapture	\$137,812
7-Year Personal Property	§1245	Ordinary income recapture	\$3,828
15-Year Land Improvements	§1250	25% unrecaptured §1250 gain	\$117,050
27.5-Year Real Property	§1250	25% unrecaptured §1250 gain	\$440,510

Tax Impact Analysis

Tax Scenario	Amount
Year 1 Depreciation WITHOUT Cost Segregation	\$25,425
Year 1 Depreciation WITH Cost Segregation + 100% Bonus	\$274,709
Additional First-Year Deduction	\$249,283
Estimated Federal Tax Reduction (37% marginal rate)	\$92,235
Estimated Federal Tax Reduction (32% marginal rate)	\$79,771
Estimated Federal Tax Reduction (24% marginal rate)	\$59,828

Note: The reclassified asset total (\$258,690) differs from the additional first-year deduction (\$249,283) because these assets would have received \$9,407 in standard straight-line depreciation regardless of cost segregation.

First-Year Depreciation Comparison

Cost segregation increases first-year depreciation by \$249,283, concentrating the majority of tax benefits in Year 1 through bonus depreciation.



4. Detailed Component Breakdown

CSS-WP-220

41 individual components were reclassified from the default 27.5-year recovery period into accelerated categories.

The following tables provide a detailed breakdown of all building components identified in this study, organized by MACRS recovery period. Each component has been individually assessed based on its function, construction type, and applicable IRS asset classification.

5-Year Personal Property (IRC Section 1245)

Component	Category	Asset Class	Allocated Cost	% of Basis
Carpet & Pad	Floor Coverings	Reg 1.48-1	\$9,292	1.3%
Vinyl/Laminate Flooring	Floor Coverings	Reg 1.48-1	\$6,629	0.9%
Removable Kitchen Fixtures	Cabinetry	Reg 1.48-1	\$4,021	0.6%
Bathroom Accessories & Fixtures	Cabinetry	Reg 1.48-1	\$2,310	0.3%
Removable Laminate Surfaces	Finishes	Reg 1.48-1	\$1,770	0.3%
Appliances	Appliances	00.11	\$8,429	1.2%
Window Treatments	Window Coverings	Reg 1.48-1	\$2,810	0.4%
Door Hardware & Accessories	Doors	Reg 1.48-1	\$1,545	0.2%
Light Fixtures	Electrical	00.11	\$6,015	0.9%
Ceiling Fans	Electrical	00.11	\$1,358	0.2%
Removable Plumbing Trim	Plumbing Fixtures	Reg 1.48-1	\$1,470	0.2%
Smoke/CO Detectors	Fire Protection	00.11	\$463	0.1%
Closet Shelving	Cabinetry	Reg 1.48-1	\$1,745	0.2%
Decorative Millwork	Finishes	Reg 1.48-1	\$1,024	0.1%
Specialty Electrical	Electrical	00.12	\$1,148	0.2%
Bathroom Hardware	Plumbing Fixtures	Reg 1.48-1	\$1,212	0.2%
Kitchen Hood & Ventilation	Appliances	00.11	\$916	0.1%

Bedroom Furniture (Beds, Dressers, Nightstands)	FF&E;	00.11	\$23,897	3.4%
Living Area Furniture (Sofas, Tables, Chairs)	FF&E;	00.11	\$20,190	2.9%
Dining Furniture	FF&E;	00.11	\$3,632	0.5%
Televisions & Electronics	FF&E;	00.11	\$7,332	1.0%
Linens, Bedding & Towels	FF&E;	00.11	\$4,154	0.6%
Kitchen Smallwares & Cookware	FF&E;	00.11	\$3,815	0.5%
Outdoor Furniture & Accessories	FF&E;	00.11	\$6,071	0.9%
Pool Equipment	Site Work	00.11	\$9,743	1.4%
Premium Appliances	Appliances	00.11	\$6,820	1.0%
Subtotal			\$137,812	19.7%

7-Year Personal Property (IRC Section 1245)

Component	Category	Asset Class	Allocated Cost	% of Basis
Decorative Items & Artwork	FF&E;	00.11	\$3,828	0.5%
Subtotal			\$3,828	0.5%

15-Year Land Improvements (IRC Section 1250)

Component	Category	Asset Class	Allocated Cost	% of Basis
Concrete Paving & Walks	Site Work	00.3	\$7,986	1.1%
Asphalt Paving	Site Work	00.3	\$2,961	0.4%
Fencing	Site Work	00.3	\$4,717	0.7%
Landscaping	Site Work	00.3	\$7,435	1.1%
Irrigation System	Site Work	00.3	\$2,340	0.3%
Exterior Lighting	Electrical	00.3	\$2,018	0.3%
Retaining Walls	Site Work	00.3	\$1,548	0.2%
Wood Deck/Porch	Site Work	00.3	\$6,096	0.9%
Storm Drainage & Grading	Site Work	00.3	\$2,656	0.4%

Mailbox & Site Accessories	Site Work	00.3	\$386	0.1%
Swimming Pool	Site Work	00.3	\$41,972	6.0%
Pool Decking	Site Work	00.3	\$13,431	1.9%
Upgraded Deck/Patio	Site Work	00.3	\$13,431	1.9%
Professional Landscaping	Site Work	00.3	\$10,073	1.4%
Subtotal			\$117,050	16.7%

27.5-Year Real Property (IRC Section 1250)

Component	Category	Asset Class	Allocated Cost	% of Basis
Foundation	Structure	N/A	\$41,263	5.9%
Framing	Structure	N/A	\$65,155	9.3%
Roofing	Structure	N/A	\$28,528	4.1%
Exterior Walls & Siding	Structure	N/A	\$40,590	5.8%
Windows & Exterior Doors	Structure	N/A	\$26,367	3.8%
Insulation	Structure	N/A	\$13,424	1.9%
Drywall & Finishing	Finishes	N/A	\$29,007	4.1%
Interior Paint	Finishes	N/A	\$12,454	1.8%
Kitchen Cabinets (Built-in)	Cabinetry	N/A	\$12,666	1.8%
Bathroom Vanities (Built-in)	Plumbing Fixtures	N/A	\$3,362	0.5%
Interior Doors	Doors	N/A	\$3,945	0.6%
Tile Flooring	Finishes	N/A	\$14,899	2.1%
Plumbing Systems	Plumbing	N/A	\$54,513	7.8%
Electrical Systems	Electrical	N/A	\$44,628	6.4%
HVAC Systems	Mechanical	N/A	\$35,712	5.1%
Fire Sprinkler System	Fire Protection	N/A	\$7,011	1.0%
Permanently Affixed Countertops	Finishes	N/A	\$6,985	1.0%
Subtotal			\$440,510	63.0%

5. Engineering Rationale by Category

CSS-WP-230

The following narratives describe the engineering basis for reclassifying specific building components from the default recovery period to accelerated MACRS classes. Each classification is supported by IRS guidance, Treasury Regulations, and relevant Tax Court precedent.

Floor Coverings

Floor coverings such as carpet, vinyl, and laminate are classified as 5-year property based on the Whiteco six-factor test and Treas. Reg. 1.48-1(e)(1). These materials typically have a replacement cycle of 5 to 10 years, supporting their classification as tangible personal property.

Cabinetry

Removable cabinetry is classified as 5-year property due to its attachment method and lack of functional interdependence with the building structure. Built-in cabinetry, which is integral to the building, would fall under the 27.5-year classification.

Electrical

Decorative and specialized electrical components are classified as 5-year property, as they fall under Asset Classes 00.11 and 00.12 per Rev. Proc. 87-56. These components are distinct from core building electrical systems, which are classified under longer recovery periods.

Plumbing Fixtures

Removable plumbing accessories are classified as 5-year property, as they are not integral to the building's plumbing infrastructure, which is classified under the 27.5-year recovery period.

Site Work

Site improvements such as concrete paving, asphalt paving, fencing, landscaping, and irrigation systems are classified as 15-year property under IRC §168(e)(4), as they are considered land improvements.

Appliances

Appliances are classified as 5-year tangible personal property, consistent with IRS ATG guidance. The distinction between freestanding and built-in appliances is critical, with freestanding units qualifying for shorter recovery periods.

Finishes

Removable and decorative finishes are classified as 5-year property, as they are not permanently affixed to the building structure. Permanently affixed surfaces would fall under the 27.5-year classification.

FF&E;

In the context of a short-term rental, FF&E; such as hospitality-grade furnishings are classified as 5-year property under Rev. Proc. 87-56 Asset Class 00.11. This classification distinguishes FF&E; from structural

improvements, which have longer recovery periods.

FF&E; Substantiation Note: The FF&E; values in this study are estimated using per-square-foot cost models calibrated to hospitality-industry furnishing standards, not from a physical inventory or purchase receipts. If the taxpayer maintains itemized FF&E; purchase records, invoices, or a furnished-unit inventory list, those actual costs should be substituted for the estimates in this report. Actual cost documentation strengthens the defensibility of FF&E; allocations under IRS examination. The taxpayer's CPA should review FF&E; totals against available records before filing.

6. MACRS Depreciation Schedules

CSS-WP-300

With 100% bonus depreciation, approximately \$258,690 in reclassified assets may be deductible in Year 1.

The following schedules show the annual depreciation deductions under MACRS for each asset category. The 5-year and 15-year property schedules include 100% bonus depreciation in Year 1 (per OBBBA, effective for property placed in service after Jan 19, 2025).

5-Year Personal Property (with 100% Bonus)

Year	Annual Deduction	Cumulative	Remaining Basis
1	\$137,812	\$137,812	\$0
2	\$0	\$137,812	\$0
3	\$0	\$137,812	\$0
4	\$0	\$137,812	\$0
5	\$0	\$137,812	\$0
6	\$0	\$137,812	\$0

7-Year Personal Property (with 100% Bonus)

Year	Annual Deduction	Cumulative	Remaining Basis
1	\$3,828	\$3,828	\$0
2	\$0	\$3,828	\$0
3	\$0	\$3,828	\$0
4	\$0	\$3,828	\$0
5	\$0	\$3,828	\$0
6	\$0	\$3,828	\$0
7	\$0	\$3,828	\$0
8	\$0	\$3,828	\$0

15-Year Land Improvements (with 100% Bonus)

Year	Annual Deduction	Cumulative	Remaining Basis
1	\$117,050	\$117,050	\$0
2	\$0	\$117,050	\$0
3	\$0	\$117,050	\$0
4	\$0	\$117,050	\$0
5	\$0	\$117,050	\$0
6	\$0	\$117,050	\$0
7	\$0	\$117,050	\$0
8	\$0	\$117,050	\$0
9	\$0	\$117,050	\$0
10	\$0	\$117,050	\$0
11	\$0	\$117,050	\$0
12	\$0	\$117,050	\$0
13	\$0	\$117,050	\$0
14	\$0	\$117,050	\$0
15	\$0	\$117,050	\$0
16	\$0	\$117,050	\$0

27.5-Year Real Property (Straight-Line)

Year	Annual Deduction	Cumulative	Remaining Basis
1	\$8,009	\$8,009	\$432,500
2	\$16,019	\$24,028	\$416,482
3	\$16,019	\$40,046	\$400,463
4	\$16,019	\$56,065	\$384,445
5	\$16,019	\$72,083	\$368,426
6	\$16,019	\$88,102	\$352,408
7	\$16,019	\$104,120	\$336,389
8	\$16,019	\$120,139	\$320,371
9	\$16,019	\$136,158	\$304,352

10	\$16,019	\$152,176	\$288,334
11	\$16,019	\$168,195	\$272,315
12	\$16,019	\$184,213	\$256,296
13	\$16,019	\$200,232	\$240,278
14	\$16,019	\$216,250	\$224,259
15	\$16,019	\$232,269	\$208,241
16	\$16,019	\$248,287	\$192,222
17	\$16,019	\$264,306	\$176,204
18	\$16,019	\$280,324	\$160,185
19	\$16,019	\$296,343	\$144,167
20	\$16,019	\$312,361	\$128,148
21	\$16,019	\$328,380	\$112,130
22	\$16,019	\$344,398	\$96,111
23	\$16,019	\$360,417	\$80,093
24	\$16,019	\$376,435	\$64,074
25	\$16,019	\$392,454	\$48,056
26	\$16,019	\$408,473	\$32,037
27	\$16,019	\$424,491	\$16,019
28	\$8,009	\$432,500	\$8,009

7. Net Present Value Analysis

CSS-WP-310

Accelerating deductions into earlier years increases their present value — a dollar of tax savings today is worth more than one spread over decades.

The NPV analysis assumes a 5% discount rate and a 37% marginal tax rate. Accelerated deductions in earlier years are more valuable in present-value terms. Actual savings will depend on the taxpayer's specific tax rate and circumstances.

Scenario	NPV of Depreciation Benefit
Without Cost Segregation (Straight-Line)	\$134,473
With Cost Segregation + Bonus Depreciation	\$174,529

NPV Benefit of Cost Segregation	\$40,056
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Assumptions: Discount rate: 5.0% | Marginal tax rate: 37% (illustrative — actual rate depends on taxpayer's specific situation) | 100% bonus depreciation applied to eligible 5-year and 15-year property (per IRC §168(k) for placed-in-service year) | Half-year convention applied to first and last years of all MACRS schedules. This analysis does not account for passive activity loss limitations, depreciation recapture, or state tax variations.

8. Depreciation Recapture Considerations

CSS-WP-320

Cost segregation accelerates when deductions are taken, not how much — total lifetime depreciation remains the same.

Depreciation recapture considerations for this property involve IRC §1245 for personal property, which is subject to ordinary income recapture, and IRC §1250 for real property, which is subject to a 25% unrecaptured gain. Cost segregation accelerates depreciation timing, offering economic benefits through the time value of money. Consultation with a CPA is recommended for property-specific recapture planning.

Recapture Categories

Category	Amount	Recapture Type	Max Rate
5-Year & 7-Year Property	\$141,640	IRC §1245 — Ordinary Income	37%
15-Year Property	\$117,050	IRC §1250 — Unrecaptured Gain	25%
27.5-Year Property	\$440,510	IRC §1250 — Unrecaptured Gain	25%

Key Considerations

Depreciation recapture applies only to the extent of actual gain realized upon sale. If the property is sold at or below adjusted basis, no recapture tax is owed. Section 1245 property (5-year and 7-year personal property) is recaptured as ordinary income up to the amount of depreciation claimed. Section 1250 property (15-year land improvements and 27.5-year real property) is subject to a maximum 25% rate on unrecaptured depreciation under IRC §1(h)(1)(E).

The economic benefit of cost segregation derives from the time value of money: deductions taken earlier are worth more than deductions taken later, even after accounting for recapture at disposition. The NPV analysis in Section 7 quantifies this timing benefit. Actual recapture liability depends on the sale price, adjusted basis, and the taxpayer's marginal rate at the time of sale. We recommend consulting your CPA for property-specific recapture planning.

9. Methodology & Basis of Analysis

CSS-WP-400

Engineering-based estimates were applied consistent with IRS cost segregation guidance and nationally recognized construction cost references.

Cost Approach Methodology

This cost segregation study employs an engineering-based detailed cost approach consistent with the principles outlined in the IRS Cost Segregation Audit Techniques Guide (revised 2022), Chapter 7.3 (Detailed Engineering Cost Approach). This methodology is consistent with the detailed engineering cost approach described in the IRS Cost Segregation ATG and is the same general methodology used by national engineering and accounting firms performing cost segregation studies.

Cost Allocation Summary by Category

The following table summarizes the primary categories of property components identified and the basis used to allocate costs.

Component Category	Recovery	Allocation Basis
Furniture, Fixtures & Equipment (FF&E;)	5 years	Hospitality-grade furnishings, electronics, linens, kitchen smallwares, and decorative items per Rev. Proc. 87-56 Asset Class 00.11
Interior Finishes & Fixtures	5 years	Removable cabinetry, decorative lighting, floor coverings, window treatments, appliances, and specialty electrical/plumbing components not structurally integrated
Land Improvements	15 years	Exterior improvements including driveways, walkways, landscaping, fencing, retaining walls, and site drainage per Rev. Proc. 87-56 asset class 00.3
Building Structure	27.5 years	Remaining structural building components — foundation, framing, roofing, exterior walls, core mechanical/electrical/plumbing systems

Component Extraction Framework

The study applies a systematic component extraction process: (1) identification of all building systems and sub-systems from property characteristics, public records, and taxpayer-provided information; (2) classification of each component under IRC §1245 (tangible personal property), IRC §1250 (real property and land improvements), and Revenue Procedure 87-56 asset classes; (3) estimation of Replacement Cost New (RCN) for each component using industry-standard cost databases adjusted by BLS PPI time index; (4) physical depreciation / remaining life is tracked per component for context (allocation is based on RCN); and (5) reconciliation of total component costs to the taxpayer's actual depreciable basis.

Cost Reference Databases

Component cost estimates are derived from and cross-referenced against the following industry-standard construction cost databases and references:

- Industry construction cost databases — national construction cost benchmarks by building type, quality tier, and geographic region
- Marshall Valuation Service (CoreLogic) — replacement cost estimation and depreciation schedules for commercial and residential property
- Bureau of Labor Statistics Producer Price Index (PPI) — construction cost time index applied to adjust base cost schedules from anchor date to current period
- IRS Cost Segregation Audit Techniques Guide — component percentage allocation guidelines and classification criteria (Chapters 6-8)

Regional cost adjustments are applied using public price-level indices to account for geographic variation in labor and material costs. Quality tier adjustments reflect the property's value per square foot relative to regional construction cost averages. A BLS Producer Price Index (PPI) time adjustment inflates base cost schedules from their anchor date to the current period. This report should be reviewed by the taxpayer's CPA or qualified tax professional prior to filing.

Replacement Cost New (RCN) Derivation Workflow

The following table summarizes the five-step derivation from base replacement cost to final allocated depreciable basis for this property:

Step	Description	Factor	Result
1	Base Replacement Cost (RSMMeans)	\$362.71/SF	\$797,972
2	Regional Cost Adjustment (AZ)	× 1.000	\$797,972
3	Indirect Costs (OH&P;, A&E;, Soft Costs)	× 1.25	\$997,466
4	Remaining Life Adjustment (8 yr age, MVS tables)	× 0.6470	\$645,376
5	Market Reconciliation Factor	× 1.0834	\$699,200

Note: The final allocated basis equals the property's depreciable basis (purchase price less land value). The reconciliation factor ensures total component costs tie to the taxpayer's actual cost basis.

The reconciliation factor reflects the ratio of modeled replacement cost new (after physical depreciation) to the actual transaction-implied improvement value. This factor does not alter component proportions — each component retains the same percentage of total basis. It functions as a proportional scalar that adjusts the aggregate modeled cost to equal the taxpayer's actual depreciable basis, consistent with the cost approach methodology described in the IRS ATG Chapter 7.3.

Land Value Allocation

The land allocation of 30.1% is appropriate for this property in Scottsdale, AZ, based on county assessor data and comparable sales. This allocation reflects the metro-area statistical average and aligns with the local market's land-to-improvement ratios.

Cost Estimation Sources & Databases

Component costs are derived from a proprietary cost database calibrated against industry-standard construction cost references including Marshall Valuation Service cost tables, RS Means Square Foot Cost Data, and publicly available construction cost indices published by the Bureau of Labor Statistics. Regional cost multipliers are based on RS Means City Cost Index data adjusted for local construction market conditions. Quality tier adjustments reflect property value per square foot relative to regional averages.

Square Footage Allocation & Reconciliation

Base component costs are estimated on a per-square-foot basis using the property's gross building area. This method is consistent with the residual cost approach recognized by the IRS Cost Segregation Audit Techniques Guide (Chapter 7.3), which identifies per-unit cost estimation as an acceptable methodology for cost segregation analyses. Component costs are calibrated against RSMMeans Square Foot Cost Data and Marshall Valuation Service cost tables for the applicable building type and quality tier.

Metric	Value
Gross Building Area	2,200 SF
Purchase Price	\$1,000,000
Land Value Allocation	\$300,800 (30.1%)
Depreciable Basis	\$699,200
Implied Cost per SF	\$317.82/SF
Accelerated Reclassification per SF	\$117.59/SF
27.5-Year Property per SF	\$200.23/SF

Cost Calculation Methodology

For each building component, the following calculation methodology is applied:

Step 1 - Base Cost Estimation: Component costs are estimated on a per-square-foot basis using construction cost data appropriate for the property type, construction class, and quality tier.

Step 2 - Regional Adjustment: Base costs are adjusted using regional cost multipliers that reflect local construction costs relative to the national average.

Step 3 - Indirect Costs: A 25% indirect cost factor is applied to account for contractor overhead, profit, architectural and engineering fees, and other soft costs. Industry studies indicate residential indirect costs

range between 20%–30%, consistent with RSMean contractor markup benchmarks and IRS ATG guidelines for cost segregation.

Step 4 - Remaining Life Adjustment:

For an 8-year-old property, components are generally at or near full remaining life, particularly given the property's relatively recent construction in 2018. Physical depreciation has minimal impact on cost allocation in this context.

Step 5 - Premium/Discount Reconciliation:

The reconciliation factor of 1.08 indicates that the replacement cost closely approximates the depreciable basis. This suggests that the market conditions and property characteristics are consistent with the calculated values.

Asset Classification Criteria

Each component is classified into the appropriate MACRS recovery period based on IRS guidelines, Revenue Rulings, and relevant Tax Court decisions. Classification criteria include the six-factor functional interdependence test established in *Whiteco Industries v. Commissioner* (65 T.C. 664):

(1) Whether the property is capable of being moved without damage to the building; **(2)** Whether the property is designed for permanent installation; **(3)** Whether there are permanent connections to utility systems; **(4)** Whether the property is designed for a specific purpose; **(5)** Whether removal would cause damage to the property or the building; **(6)** The weight and size of the property relative to the building.

Components meeting the functional test for personal property under Treas. Reg. 1.48-1(e)(1) are classified as 5-year or 7-year MACRS property per Rev. Proc. 87-56. Land improvements are classified under IRS Asset Class 00.3 (15-year recovery). Structural components integral to the building are classified as real property under IRC §1250 with a recovery period of 27.5 years (residential rental).

Placed-in-Service & Depreciation Eligibility

This property was placed in service on 2025-06-15 for purposes of IRC §167 and §168. Based on the placed-in-service year of 2025, the property qualifies for 100% bonus depreciation under IRC §168(k) as restored by the One Big Beautiful Bill Act (OBBBA, signed July 2025).

This property is classified as residential rental property under IRC §168(e)(2)(A), with structural components assigned a 27.5-year recovery period under MACRS. The property must be held for use in a trade or business or for the production of income (IRC §167(a)) and must be 'placed in service' — available and ready for its intended use. For short-term rental properties, the taxpayer must materially participate in the rental activity or qualify under the real estate professional exception to claim current-year depreciation deductions against ordinary income.

Legal Authority for Asset Classification

This cost segregation study was performed using an engineering-based approach consistent with the guidance outlined in the IRS Cost Segregation Audit Techniques Guide. Asset classifications were established based on the following authorities:

Authority	Description
IRC §168	Modified Accelerated Cost Recovery System (MACRS) — establishes recovery periods for tangible depreciable property
IRC §1245	Tangible personal property classification — property not inherently permanent or structural in nature
IRC §1250	Real property classification — structural components and land improvements
Rev. Proc. 87-56	Asset class recovery periods — assigns MACRS lives by asset class (e.g., 00.11 Office Furniture, 00.3 Land Improvements)
IRC §168(k)	Bonus depreciation — allows first-year deduction of qualifying property placed in service in the applicable tax year
Treas. Reg. §1.48-1(e)(1)	Defines the functional interdependence test for distinguishing personal property from structural components
IRS ATG (2022)	Cost Segregation Audit Techniques Guide — IRS reference for reviewing cost segregation studies, including methodology standards and quality elements

Assets classified as **5-year property** represent tangible personal property that is not structural in nature, including removable fixtures, appliances, cabinetry, decorative finishes, and specialty electrical and plumbing components.

Assets classified as **15-year property** represent land improvements such as landscaping, walkways, paving, fencing, and site drainage consistent with Rev. Proc. 87-56 asset class 00.3.

All remaining building components are depreciated as **27.5-year residential rental property** under MACRS.

This report is intended to support the taxpayer's depreciation treatment and may be provided to tax advisors or taxing authorities upon request.

11. Schedule for Fixed Asset Ledger Entry

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This schedule can be entered directly into your CPA's tax preparation software — no manual reclassification required.

The following schedule is provided for direct entry into the taxpayer's fixed asset ledger or tax preparation software. Each line item represents a reclassified asset with the applicable MACRS method, convention, recovery period, and allocated cost.

Asset Description	Method	Conv.	Life	PIS Date	Cost Basis
Bedroom Furniture (Beds, Dressers, Nightstands)	200DB	HY	5 yr	2025-06-15	\$23,897
Living Area Furniture (Sofas, Tables, Chairs)	200DB	HY	5 yr	2025-06-15	\$20,190
Pool Equipment	200DB	HY	5 yr	2025-06-15	\$9,743
Carpet & Pad	200DB	HY	5 yr	2025-06-15	\$9,292
Appliances	200DB	HY	5 yr	2025-06-15	\$8,429
Televisions & Electronics	200DB	HY	5 yr	2025-06-15	\$7,332
Premium Appliances	200DB	HY	5 yr	2025-06-15	\$6,820
Vinyl/Laminate Flooring	200DB	HY	5 yr	2025-06-15	\$6,629
Outdoor Furniture & Accessories	200DB	HY	5 yr	2025-06-15	\$6,071
Light Fixtures	200DB	HY	5 yr	2025-06-15	\$6,015
Linens, Bedding & Towels	200DB	HY	5 yr	2025-06-15	\$4,154
Removable Kitchen Fixtures	200DB	HY	5 yr	2025-06-15	\$4,021
Kitchen Smallwares & Cookware	200DB	HY	5 yr	2025-06-15	\$3,815
Dining Furniture	200DB	HY	5 yr	2025-06-15	\$3,632
Window Treatments	200DB	HY	5 yr	2025-06-15	\$2,810
Bathroom Accessories & Fixtures	200DB	HY	5 yr	2025-06-15	\$2,310
Removable Laminate Surfaces	200DB	HY	5 yr	2025-06-15	\$1,770
Closet Shelving	200DB	HY	5 yr	2025-06-15	\$1,745
Door Hardware & Accessories	200DB	HY	5 yr	2025-06-15	\$1,545
Removable Plumbing Trim	200DB	HY	5 yr	2025-06-15	\$1,470
Ceiling Fans	200DB	HY	5 yr	2025-06-15	\$1,358

Bathroom Hardware	200DB	HY	5 yr	2025-06-15	\$1,212
Specialty Electrical	200DB	HY	5 yr	2025-06-15	\$1,148
Decorative Millwork	200DB	HY	5 yr	2025-06-15	\$1,024
Kitchen Hood & Ventilation	200DB	HY	5 yr	2025-06-15	\$916
Smoke/CO Detectors	200DB	HY	5 yr	2025-06-15	\$463
Decorative Items & Artwork	200DB	HY	7 yr	2025-06-15	\$3,828
Swimming Pool	150DB	HY	15 yr	2025-06-15	\$41,972
Pool Decking	150DB	HY	15 yr	2025-06-15	\$13,431
Upgraded Deck/Patio	150DB	HY	15 yr	2025-06-15	\$13,431
Professional Landscaping	150DB	HY	15 yr	2025-06-15	\$10,073
Concrete Paving & Walks	150DB	HY	15 yr	2025-06-15	\$7,986
Landscaping	150DB	HY	15 yr	2025-06-15	\$7,435
Wood Deck/Porch	150DB	HY	15 yr	2025-06-15	\$6,096
Fencing	150DB	HY	15 yr	2025-06-15	\$4,717
Asphalt Paving	150DB	HY	15 yr	2025-06-15	\$2,961
Storm Drainage & Grading	150DB	HY	15 yr	2025-06-15	\$2,656
Irrigation System	150DB	HY	15 yr	2025-06-15	\$2,340
Exterior Lighting	150DB	HY	15 yr	2025-06-15	\$2,018
Retaining Walls	150DB	HY	15 yr	2025-06-15	\$1,548
Mailbox & Site Accessories	150DB	HY	15 yr	2025-06-15	\$386
Remaining 27.5-Year Real Property	SL	MM	27.5 yr	2025-06-15	\$440,510
TOTAL DEPRECIABLE BASIS					\$699,200

Legend: 200DB = 200% Declining Balance; 150DB = 150% Declining Balance; SL = Straight-Line; HY = Half-Year Convention; MM = Mid-Month Convention; PIS = Placed in Service.

Note: Assets with recovery periods of 20 years or less qualify for 100% bonus depreciation under IRC §168(k). Apply bonus depreciation before entering the remaining basis into MACRS schedules.

CPA Filing Note

Most CPAs incorporate the results of this study into the taxpayer's return by entering the asset schedule above directly into their depreciation software (Lacerte, ProSeries, Drake, UltraTax, or equivalent) and applying the bonus depreciation calculation to qualifying assets. For lookback studies where the property was placed in

service in a prior year, the report includes Form 3115 catch-up calculations so the CPA can file a change of accounting method. If the taxpayer's CPA has questions about this report, they may contact us directly at support@costsegsmart.com.

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12. Conclusion

Based on the engineering-based analysis described in this report, portions of the subject property at **123 Palm Vista Drive, Scottsdale, AZ 85251** were identified as qualifying for accelerated depreciation under the Modified Accelerated Cost Recovery System (MACRS).

The study allocated **\$258,690** of the property's **\$699,200** depreciable basis to 5-year and 15-year recovery periods consistent with IRS asset classification guidance. These reclassifications result in increased first-year depreciation compared with standard straight-line depreciation of the 27.5-year residential structure.

Under 100% bonus depreciation (IRC §168(k)), the full **\$258,690** in reclassified assets may be deductible in the year placed in service, subject to the taxpayer's individual tax circumstances.

The schedules and tables included in this report provide the information necessary for the taxpayer's tax advisor to incorporate the results into the taxpayer's federal income tax return.

*Prepared by CostSegSmart — Engineering-Based Cost Segregation Analysis
Study Date: March 05, 2026*

A. Appendix A — Cost Derivation Summary

CSS-WP-510

The following table summarizes the cost derivation methodology applied to each major component category. Replacement Cost New (RCN) estimates are adjusted for regional factors, PPI time index, and market reconciliation to equal the property's actual depreciable basis. Physical depreciation / remaining life is tracked per component for context; allocation is based on RCN.

Category	RCN (Pre-Recon)	Avg RLF (Info)	Scalar (S=1.08)	Final Allocated Basis
5-Year Personal Property	\$127,200	0.47	1.0834	\$137,812
7-Year Personal Property	\$3,533	0.60	1.0834	\$3,828
15-Year Land Improvements	\$108,036	0.73	1.0834	\$117,050
27.5-Year Real Property	\$406,588	0.85	1.0834	\$440,510
Total Depreciable Basis	\$645,357	—	rf_raw=1.08	\$699,200

Location Cost Index: 0.95 (state level — Scottsdale, AZ). Applied to modeled RCN to reflect local construction cost conditions.

Reconciliation: rf_raw = 1.08 (diagnostic ratio = basis / modeled RCN total). S_applied = 1.0834 (scalar applied uniformly to all components). Allocation uses Replacement Cost New (RCN); remaining life factors (RLF) are shown for transparency but are NOT applied to component costs pre-reconciliation.

Land Allocation Analysis

The IRS Cost Segregation ATG (Chapter 4) requires that cost segregation studies clearly identify and support the land allocation. The following methods were considered in determining the land value for this property:

Method	Result	Description	Weight
A.1 County Tax Assessor Allocation	N/A	County assessor data not available for this property. When available, assessor allocations provide a recognized IRS-accepted benchmark per ATG Chapter 4.	Not Available
A.2 Statistical Market Analysis	30.1%	Metro-area land ratio analysis based on median land-to-value ratios for the Scottsdale, AZ submarket, calibrated against comparable property sales data and construction cost indices.	Primary
A.3 Replacement Cost Residual	30.1%	Purchase price less estimated replacement cost of improvements (Marshall Valuation Service / RSMMeans). The residual represents the implied land value under the cost approach.	Corroborating

<p>A.4 Comparable Sales Analysis</p>	<p>—</p>	<p>Vacant land sales in the immediate submarket would provide direct market evidence. This method is referenced for completeness but was not independently performed for this study.</p>	<p>Not Performed</p>
<p>A.5 Purchase Agreement Allocation</p>	<p>—</p>	<p>If the purchase contract or HUD-1/ALTA settlement statement contains a land/improvement allocation, that buyer-seller negotiated split may be used. Not provided for this study.</p>	<p>Not Provided</p>
<p>A.6 Adopted Land Allocation</p>	<p>30.1%</p>	<p>Based on the statistical market analysis as the primary method, corroborated by replacement cost residual analysis. Land value of \$300,800 (30.1% of purchase price) is adopted for this study.</p>	<p>Adopted</p>

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B. Appendix B — IRS ATG Quality Elements

CSS-WP-600

The IRS Cost Segregation Audit Techniques Guide identifies 13 principal elements of a quality cost segregation study. This report addresses each element as follows:

ATG Element	How Addressed
1. Preparation by individuals with expertise	Engineering-informed methodology using industry-standard cost databases and IRS classification criteria.
2. Detailed description of methodology	Section 9 — Methodology & Basis of Analysis describes the cost approach, data sources, and reconciliation process.
3. Use of appropriate documentation	Property details, construction data, regional cost factors, and county assessor records are incorporated.
4. Interviews & site inspection alternatives	Property photos and detailed intake questionnaire substitute for physical site inspection, consistent with ATG guidance for desk reviews.
5. Use of actual cost records	Where available, purchase records and assessor data supplement engineering cost estimates.
6. Determination of unit costs	Per-square-foot cost estimation using RSMeans and Marshall Valuation Service references.
7. Identification of section 1245 property	Components are individually classified under Treas. Reg. 1.48-1 and the Whiteco six-factor functional test.
8. Identification of section 1250 property	Land improvements classified under IRS Asset Class 00.3 with 15-year recovery per Rev. Proc. 87-56.
9. Identification of land/land improvements	Land allocation based on statistical metro-level data consistent with county assessor records.
10. Accuracy of computations	All allocations reconcile to depreciable basis. Depreciation schedules verified computationally.
11. Support for conclusions	Engineering narratives, IRS citations, and Whiteco functional analysis provided for each category.
12. Overall reasonableness	Acceleration percentages consistent with IRS audit benchmarks for property type and construction class.
13. Preparation or review by qualified professional	Report should be reviewed by the taxpayer's CPA or qualified tax professional prior to filing.

C. Appendix C — Revenue Procedure 87-56 & IRC Framework

CSS-WP-610

This cost segregation study is prepared in accordance with the following Internal Revenue Code sections, Treasury Regulations, and IRS guidance:

Reference	Application
IRC §167	Depreciation deduction for property used in trade/business or production of income.
IRC §168	Modified Accelerated Cost Recovery System (MACRS) — recovery periods by asset class.
IRC §168(e)(2)(A)	Residential rental property: 80%+ gross income from dwelling units. Recovery: 27.5 years.
IRC §168(e)(2)(B)	Nonresidential real property. Recovery: 39 years.
IRC §168(k)	Bonus depreciation — 100% (≤2022), 80% (2023), 60% (2024), 100% (2025+, restored by OBBBA).
IRC §1245	Personal property: accelerated depreciation subject to ordinary income recapture.
IRC §1250	Real property: structural components subject to unrecaptured §1250 gain (25%).
Treas. Reg. §1.48-1(e)(1)	Tangible personal property: all tangible property except land, land improvements, buildings, and structural components.
Treas. Reg. §1.1250-1(e)(2)	Building: any structure enclosing a space within walls and covered by a roof.
Rev. Rul. 68-4	Criteria for structural component vs. tangible personal property classification.
Rev. Proc. 87-56	Class lives and recovery periods for depreciable assets under MACRS.
IRS ATG (Rev. 2022)	Cost Segregation Audit Techniques Guide — 13 elements of a quality study.

D. Appendix D — Case Law & IRS Rulings

CSS-WP-620

The following court decisions and IRS rulings establish the legal framework for component classification in cost segregation studies:

Case / Ruling	Citation	Significance
Hospital Corp. of America v. Commissioner	109 T.C. 21 (1997)	Established that items which are affixed to a building may still constitute personal property if they serve the taxpayer's business activity rather than the building itself.
Whiteco Industries v. Commissioner	65 T.C. 664 (1975)	Established the six-factor test for determining whether property is a structural component or tangible personal property: (1) manner of affixation, (2) whether designed to be permanently affixed, (3) damage upon removal, (4) function of the property, (5) relationship to building operation, (6) intent at installation.
Scott Paper Co. v. Commissioner	74 T.C. 137 (1980)	Reinforced that the 'intent at time of installation' is a relevant factor in determining whether property is personal or structural.
Morrison Inc. v. Commissioner	T.C. Memo 1986-129	Applied the Whiteco factors to restaurant properties, finding that decorative items, specialty lighting, and removable kitchen equipment qualify as personal property.
Meiers Parking System Inc. v. Commissioner	T.C. Memo 1991-18	Addressed the classification of site improvements and their treatment as land improvements with a 15-year recovery period.
IRS Cost Segregation ATG, Chapter 3	Rev. 2022	Provides detailed guidance on the engineering approach to cost segregation, including acceptable methodologies (detailed engineering, residual estimation, sampling/modeling) and the 13 principal elements of a quality study.

E. Appendix E — Audit Documentation & Support

This section provides guidance for audit documentation preparedness and documentation retention in support of the cost segregation reclassifications contained in this study.

Workpaper Retention

Cost Seg Smart maintains complete workpapers for this study, including component-level cost calculations, classification rationale, and reconciliation documentation. These workpapers are retained for the applicable IRS statute of limitations period (generally three years from the filing date, or six years if gross income is understated by more than 25%). The taxpayer should retain a copy of this report and all supporting documentation for the same period.

Component-Level Allocation Methodology

Each component in this study has been individually identified, classified, and costed using the detailed engineering cost approach. This methodology satisfies the IRS requirement for component-level analysis as described in the Cost Segregation Audit Techniques Guide (ATG), Chapter 4. The study provides:

- Individual component identification with IRS asset class assignment
- Cost estimation per component using industry-standard cost databases
- Classification rationale citing IRC sections, Treasury Regulations, and case law
- Reconciliation of modeled costs to actual taxpayer basis
- IRS asset class assignment with supporting legal citations for each classification

IRS ATG Compliance Affirmation

This cost segregation study has been prepared in compliance with the 13 principal elements of a quality cost segregation study as identified in the IRS Cost Segregation Audit Techniques Guide (ATG), Chapter 4.4. These elements include: preparation by an individual with appropriate expertise; use of appropriate documentation and methodology; identification of the property analyzed; description of the analytical approach; determination of all direct and indirect costs; identification and classification of each asset; an explanation of the legal analysis; and a clear summary of allocations and conclusions.

Recordkeeping Recommendations

To support audit defensibility, the taxpayer should maintain the following documentation in addition to this report:

- Purchase agreement and closing statement (HUD-1 / ALTA settlement statement)
- Property photographs documenting building systems and site improvements
- Construction plans, specifications, or renovation invoices (if available)

- County tax assessor records showing land and improvement values
- Any independent appraisal or environmental reports
- Insurance policy declarations page showing replacement cost estimates

For questions regarding audit documentation or support, contact Cost Seg Smart at support@costsegsmart.com.

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F. Appendix F — Exhibits & Supporting Documentation

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The following exhibits and supporting documentation are maintained for audit documentation purposes.

Property Photo Documentation

Exterior photographs (front, rear, and side elevations), interior photographs (kitchen, bathrooms, living areas, mechanical equipment), and photographs of specific features claimed in this study (pool, deck, landscaping, etc.) should be maintained in the taxpayer's records.

Property photographs should be included as a separate exhibit. Minimum recommended: 6-10 photos covering all building elevations and key interior spaces.

Audit Documentation Checklist

Document	Status
Purchase/closing documentation (HUD-1 or settlement statement)	Recommended
Property tax assessment showing land/improvement split	Recommended
Property photographs (exterior and interior)	Required
This cost segregation study report	Required
IRS Form 3115 (if lookback study — change in accounting method)	If applicable
MACRS depreciation schedules (provided in this report)	Included
Component classification support (engineering narratives)	Included
IRS legal citations and regulatory framework	Included
Entity formation and ownership documentation	Recommended
Loan documents and financing records	Optional
Prior appraisal or inspection reports	Optional
Floor plans or architectural drawings	Optional

G. Appendix G — Disclaimers & Limitations

CSS-WP-800

Professional Review: This cost segregation study was prepared in accordance with the engineering-based detailed cost approach outlined in the IRS Cost Segregation Audit Techniques Guide. Component classifications follow established IRS guidance, Treasury Regulations, and relevant Tax Court precedent. This report should be reviewed by a licensed Certified Public Accountant (CPA) or qualified tax professional prior to filing to ensure compatibility with the taxpayer's specific tax situation, including passive activity limitations, at-risk rules, and state conformity considerations.

Scope of Services: This report is provided for tax preparation and planning purposes. Cost Seg Smart provides engineering-based cost allocation analysis using proprietary cost databases and IRS-compliant classification methodology. This report does not constitute tax advice, legal advice, or accounting advice. The taxpayer's CPA or tax professional should apply these findings to the taxpayer's specific return.

CPA Review Note: This report is intended to assist the taxpayer and their tax advisor in determining appropriate depreciation treatment under applicable tax law. The allocations presented represent engineering-based estimates derived from construction cost references and applicable IRS guidance. Final tax treatment, including the decision to claim accelerated depreciation and the application of passive activity rules, remains at the sole discretion of the taxpayer's qualified tax professional.

Accuracy of Information: The accuracy of this study depends on the completeness and accuracy of the property information provided by the user. Cost Seg Smart makes no warranty regarding the accuracy of estimated component costs, as actual costs may vary based on specific construction details, materials, and conditions not captured in the standard input process.

IRS Audit Risk: While cost segregation is a well-established tax strategy recognized by the IRS, any depreciation deduction may be subject to IRS examination. The IRS may challenge the classification of specific components. Users should maintain supporting documentation including purchase agreements, inspection reports, and photographs for audit documentation.

Bonus Depreciation: This study applies 100% bonus depreciation based on the property's placed-in-service year. Historical rates: 100% (2022 and prior), 80% (2023), 60% (2024). The One Big Beautiful Bill Act (OBBBA, signed July 2025) permanently restored 100% bonus depreciation for qualified property acquired and placed in service after January 19, 2025. Users should verify current bonus depreciation availability with their tax professional at the time of filing.

State Tax Considerations: Some states do not conform to federal bonus depreciation provisions. State depreciation deductions may differ from the federal amounts shown in this report. Consult your CPA regarding state-specific rules.

This report was prepared by Cost Seg Smart using engineering-based cost allocation methodology. For questions regarding this study, please contact support@costsegsmart.com.

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