Cost Segregation Study

Distribution Center

Sample: Industrial Logistics Center (New Construction)

Prepared For
Property Owner
Property Owner

Prepared By
Brad Thomas
Ashley Robinson

Report
SCS-LPCS-0EGKMD (v1)
Reference LPCS-0EGKMD

Dates
Placed in service June 1, 2026
Issued September 1, 2026

Computed under law as of 2026-07, engine engine v0.1 (engine v0.1). Tax year 2026. Stated position: Middle of the Road. This study supports the depreciation positions taken on the taxpayer's return; it is not a tax return and it is not legal advice.

Table of Contents

Sections appear in the order listed. The Part numbers are the study's 17 part structure; the Element numbers are the 13 principal elements of a quality study that IRS Publication 5653 describes. Optional parts are present only when the property facts call for them, so a study without a look-back adjustment, a like-kind exchange or separately stated indirect costs omits those parts entirely rather than printing an empty page.

Letter of Transmittal

September 1, 2026

Property Owner
Property Owner

Dear Property Owner,

Enclosed is the cost segregation study for Sample: Industrial Logistics Center (New Construction), a Distribution Center placed in service on June 1, 2026. The study separates the components of the property into their MACRS recovery classes so that personal property and land improvements are depreciated over their own recovery periods rather than over the 39 year life of the building shell.

Land was determined first and removed from the purchase price. The remaining depreciable building basis of $11,604,247 was allocated across 15 asset rows using the modeled residual method. The allocation reconciles exactly: the schedule totals $11,604,247, which equals the building basis to the dollar at every position. Each row carries its building system, its IRC character, its Rev. Proc. 87-56 asset class, the rationale for its classification, the authority behind it and a confidence score; rows below the review threshold are marked so your preparer can see them at a glance.

The study was run at the Conservative, Middle of the Road and Aggressive positions on one land value, and the Middle of the Road position is the one stated in the depreciation schedules, on the Form 4562 map and in the fixed asset file. At that position $2,552,934 (22.0%) of the basis is classified into short life classes; the first year deduction with the study is $2,678,838 against $161,415 without it, a difference of $2,517,423 (Conservative $1,716,425, Aggressive $3,432,850).

SmartCostSeg does not prepare tax returns and does not provide legal advice. Your CPA or tax preparer files the return, decides which elections to make, and applies the passive activity and loss limitation rules to your situation. The CPA Next Steps section lists what this study hands to that process.

Reviewed by: ________________________ Ashley Robinson Date: _______________

Ashley Robinson
Brad Thomas

Part 1: Executive Summary

DEPRECIABLE BUILDING BASIS **$11,604,247**	RECLASSIFIED TO SHORT LIFE (MIDDLE OF THE ROAD) **$2,552,934**	SHARE OF BASIS RECLASSIFIED **22.0%**
ADDITIONAL FIRST-YEAR DEDUCTION **$2,517,423**	EST. FIRST-YEAR TAX SAVINGS AT 37% **$931,447**	LAND ALLOCATION (10.0% OF PRICE) **$1,289,361**

Allocation by Recovery Class at the Three Positions

Recovery Class	Life	Conservative	Middle of the Road (stated)	Aggressive
5-Year Personal Property (§1245)	5	$924,713	$1,356,246	$1,849,427
15-Year Land Improvements	15	$815,924	$1,196,688	$1,631,847
39-Year Nonresidential Real Property	39	$9,863,610	$9,051,313	$8,122,973
Total Depreciable Building Basis		**$11,604,247**	**$11,604,247**	**$11,604,247**

The Three Positions

Position	Short-Life Share	§168(k) Allowance	First Year With Study	Without Study	Additional	Est. Tax Savings
Conservative	15.0%	$1,740,637	$1,877,840	$161,415	$1,716,425	$635,077
Middle of the Road (stated)	22.0%	$2,552,934	$2,678,838	$161,415	$2,517,423	$931,447
Aggressive	30.0%	$3,481,274	$3,594,265	$161,415	$3,432,850	$1,270,155

The three positions run the asset model and the MACRS engine on one land value; the Middle of the Road position is the one stated in Part 15, on the Form 4562 map and in the fixed asset file, and every schedule carries the other two beside it. Tax savings use the 37% combined rate stated in the assumptions; the actual rate depends on the taxpayer's return.

Part 1A: The Land Question and the Nine Positions

Positions at the land value the construction record fixes

The construction documents fix the land basis, so this study varies classification only and the land axis carries a single allocation.

Rank	Land allocation	Land	Classification position	Depreciable basis	Additional year 1 deduction	Est. year 1 tax saving
1	Land per the construction record	$1,289,361	Aggressive	$11,604,247	$3,392,010	$1,255,044
2	Land per the construction record (recommended)	$1,289,361	Middle of the Road	$11,604,247	$2,487,474	$920,365
3	Land per the construction record	$1,289,361	Conservative	$11,604,247	$1,696,005	$627,522

Every cell is a full run of the asset model and the MACRS engine at that land value, not an interpolation. The recommended cell is the engineering estimate crossed with Middle of the Road, and it is the position stated everywhere else in this study. A cell is named by both of its coordinates because the two axes move in opposite directions: more land allocated leaves less depreciable basis, while a more aggressive classification takes more of whatever basis remains. Tax savings use the 37% combined rate stated in the assumptions.

Part 2: Property and Acquisition (1 of 2)

Property Type	Distribution Center
Building Area	214,000 square feet
Year Built	2026
Stories	1
Address	Not supplied
Owner Entity	Property Owner
Purchase Date	January 15, 2026
Acquired (binding contract)	January 15, 2026
Placed in Service	June 1, 2026
Total Consideration	$12,893,608
Land (determined first)	$1,289,361 (10.0%), default allocation (10% of final construction cost)
Depreciable Building Basis	$11,604,247

Building Systems and Ownership Boundary

The subject is a Distribution Center (214,000 square feet, 1 story, built 2026).

Building systems were modeled from the property type's component profile; the variance drivers for this type are dock equipment; truck courts; yard paving. No engineering take-off was performed unless noted in the methodology.

Construction Cost Summary

Description	Amount
Original Contract Amount	$12,708,367
Approved Change Orders	$185,241
Final Contract Amount	**$12,893,608**

Part 2: Property and Acquisition (2 of 2)

Land Determination

Total consideration	$12,893,608
Less: land value (default allocation (10% of final construction cost))	$(1,289,361)
Land as a share of the consideration	10.0%
Depreciable building basis	**$11,604,247**

Land is not depreciable and was determined first: $1,289,361 (10.0% of the purchase price) by default allocation (10% of final construction cost). The depreciable building basis is $11,604,247. The land value is a fact of the acquisition and is identical under the Conservative, Middle of the Road and Aggressive positions; it is never a scenario lever. The three positions describe the building only. Land is carved out first and never depreciates, so the less of the price assigned to land, the more there is to depreciate: a low land value is the aggressive land position and a high land value is the conservative one.

Land is not depreciable and is a fact of the acquisition: the same value is used under the Conservative, Middle of the Road and Aggressive positions and is never a scenario lever.

Part 3 (Element 1): Preparer Expertise and Responsibilities

Publication 5653 lists preparation by an individual with expertise and experience as the first principal element of a quality study. This part states who did what on this study. Roles and responsibilities print from the preparer team records entered by the firm; credential and experience lines print only as entered and are never inferred, so a blank line means nothing is claimed.

> No preparer team records have been entered for this study. The study was prepared by SmartCostSeg's analysis system and reviewed by Ashley Robinson; no professional credential is claimed for any person named in this study.

Responsibilities of the Analysis System and the Reviewer

- The analysis system determined land first, ran the asset model and the MACRS engine at the three positions, applied the recovery periods, methods and conventions of the law tables, reconciled the allocation to the building basis and produced every schedule in this study.
- The reviewer named in the certification reviewed the inputs, the documents listed in Part 5, the classification rationale of each row and the reconciliation before the study was released; rows marked Review are the rows the reviewer flags for the preparer's own confirmation.
- The taxpayer's return preparer applies the study on the return, makes the elections and applies the loss limitation rules; SmartCostSeg does not prepare returns.

The ATG scorecard marks this element Partial until a credential or experience line has been entered for at least one role.

Part 4 (Element 2): Methodology (1 of 2)

Method applied: Modeled residual method

Land was determined first and removed from the purchase price. The method runs in eleven steps: (1) acquisition documents, (2) inspection, (3) building system identification, (4) functional classification, (5) engineering take-offs, (6) unit costs, (7) component valuation, (8) §1245 and §1250 analysis, (9) MACRS classification, (10) basis reconciliation and (11) depreciation. Steps 1, 3, 4, 8, 9, 10 and 11 were performed on the inputs and documents received; steps 2, 5, 6 and 7 are modeled: the Distribution Center component profile assigns modeled shares of basis to each 5-year, 7-year and 15-year component and no take-off, unit cost or site inspection was performed. The residual, everything not identified as personal property or a land improvement, stays in the building shell at its 39-year recovery period.

The study runs the asset model and the MACRS engine three times on one land value, at the Conservative (15.0%), Middle of the Road (22.0%) and Aggressive (30.0%) positions; every row, class total, waterfall, bonus and first year table carries the three columns, and the Middle of the Road position is the one stated in the depreciation schedules, on the Form 4562 map and in the fixed asset CSV.

The Conservative, Middle of the Road and Aggressive percentages for Distribution Center are transcribed verbatim from the Expectation Guide row "Distribution Center"; they are planning priors, not a substitute for documentation. The 5-year and 15-year split for this property type follows the Expectation Guide row "Warehouse" (typical split between 5-year and 15-year property), applied at the range midpoints. The comparative band for every property type is SmartCostSeg house judgment used to gauge an allocation against the type's own Conservative, Middle of the Road and Aggressive positions; it is not an IRS threshold, an industry percentile or a published median.

Each row carries its building system, its IRC character, its Rev. Proc. 87-56 asset class, the authored rationale that applies the Whiteco permanence factors and the functional allocation approach of Hospital Corp. of America to that component, the authority for its classification and a confidence score; rows under 0.85 are marked as requiring review. This is a model, not an engineering take-off: it is consistent with the residual approach the IRS Cost Segregation Audit Techniques Guide describes and is labeled as such throughout.

Catalog corrections and house judgments disclosed: Residential built in cabinets, counters and vanities stay with the building; Retail and office removable millwork stays 5 year; 7 year office furniture, fixtures and equipment; Car wash building and related land improvements on asset class 57.1 at every position.

No site visit or photographic survey was performed; Part 16 lists what is still required.

Part 4 (Element 2): Methodology (2 of 2)

Basis of the Analysis

Site survey	None performed; no site visit and no photographic survey
Unit cost source	SmartCostSeg component weight tables by property category (modeled shares of building basis); residual to the building shell
Indirect cost treatment	The 38 indirect cost categories print with their treatment and allocation rule; no amounts have been supplied, so nothing is allocated and every category reads not supplied. Unallocated cost stays in the reconciled basis of the rows as supplied.
Documents reviewed	0 documents, listed in full in Part 5
Asset rows produced	15 rows, 2 flagged for review

The method is stated so a reviewer can weigh it. A modeled residual allocation is not an engineering take-off, and this report never describes it as one.

Part 5 (Element 3): Documentation Reviewed

No source documents were supplied for this property. The schedule is therefore modeled from the property type and the inputs entered, and Part 4 says so plainly.

This list is what was actually reviewed. Nothing is listed here as boilerplate, and a document marked Excluded was received but not relied on. Plan sheets and engineering exhibits, when received, are listed in Part 16.

Part 6 (Element 4): Interview Memorandum

Status: Pending. Pending: no interview has been recorded for this study. The memorandum lists the parties a study of this kind interviews as applicable and what each interview would establish; the classifications in Part 10 rest on the documents received and the modeled shares until an interview is recorded.

Interviewee (as applicable)	Status
Owner/Acquisition Team	Pending
Property Manager	Pending
Chief Engineer/Facilities	Pending
Controller/Accounting	Pending
General Contractor	Pending
Architect	Pending
Electrical Engineer	Pending
Mechanical Engineer	Pending
Construction Manager	Pending
Tenant/Leasing Personnel	Pending
Specialty System Operators	Pending

What Each Interview Establishes

- Ownership: who owns each component, so tenant owned and landlord owned property is never mixed.
- Function: what each component serves, which decides the §1245 or §1250 character of rows now marked preliminary.
- Construction: how each component is built and attached, the Whiteco permanence facts behind the rationale column.
- Cost: which invoices, contracts and schedules of values carry each cost, replacing modeled shares with identifiable costs.
- Dedicated Use: which electrical, plumbing and mechanical runs serve specific equipment rather than the building.
- Building Use: how the building is used, including any use that changes the recovery period (short stays, mixed use).
- Supporting Records: which drawings, photographs and records exist and can be added to Part 5 and Part 16.

No interviewee is named and no finding is recorded on this page until an interview is entered on the study record; the preliminary rows in Part 10 keep their asterisk until ownership, function and cost are verified.

Part 7 (Elements 5 and 6): Nomenclature and Numbering System (1 of 6)

Common Nomenclature (Element 5)

Every asset carries a workpaper Asset ID of the form SYSTEM-nnn, where SYSTEM is the building system prefix below and nnn a sequence within that system (ELEC-001, SIGN-001, SITE-001), and an IRS asset class column that prints the Rev. Proc. 87-56 class with a two digit workpaper sub code (57.0-08). The same asset keeps the same identifier across the Conservative, Middle of the Road and Aggressive positions, in the schedules, on the Form 4562 map and in the fixed asset CSV, so every dollar can be traced from the schedule to its source.

Prefix	Building system	MasterFormat divisions (workpaper cross reference)	Rows in Part 10
STRUCT	Structure and building envelope	03, 04, 05, 06, 07, 08	1
ELEC	Electrical distribution	26	2
PLMB	Plumbing and fire protection	21, 22	1
LOWV	Low voltage, communications and security	27, 28	1
FIN	Interior finishes	09	2
EQUIP	Process and specialty equipment	11	1
SITE	Site improvements and site utilities	31, 32, 33	7

Standard Numbering System (Element 6)

Sequence numbers run per building system in schedule order (structure first, site and parking structures last); sub codes run per IRS asset class; the residual building shell is the last STRUCT row and carries sub code B-01. Asset descriptions use the common names of the trade (the ATG's nomenclature rule): no building sewer is called process piping and no exit sign is called a decorative placard.

Sub codes (for example 57.0-08) are SmartCostSeg workpaper identifiers appended to the Rev. Proc. 87-56 asset class; they are not IRS designations. Building component sub codes carry the prefix B because the IRS assigns no decimal asset class number to individual building components.

Part 7 (Elements 5 and 6): Nomenclature and Numbering System (2 of 6)

IRS Asset Class Reference (Rev. Proc. 87-56)

The classes the schedule uses, with the class life, the recovery periods and the property group example the Audit Techniques Guide gives for this kind of property. Sub codes appended to these classes in Part 10 are workpaper identifiers, not IRS designations.

Class	Rev. Proc. 87-56 description	Class life	GDS	ADS	Method	IRC	Example for this property group
00.11	Office Furniture, Fixtures, and Equipment: Includes furniture and fixtures that are not a structural component of a building. Includes such assets as desks, files, safes, and communications equipment. Does not include communications equipment that is included in other classes. *The 7-year office FF&E share is a house judgment carved from the 5-year pool for office, medical, retail, hotel and restaurant types; the residential matrix bars 00.11 in residential rental use.*	10	7	10	200DB	§1245	Management office desks, files and workstations; hotel front office furniture; medical office administrative furniture
00.12	Information Systems: Includes computers and their peripheral equipment used in administering normal business transactions and the maintenance of business records, their retrieval and analysis. *The class text excludes computers used primarily for process or production control and point of sale systems, which stay in 57.0.*	6	5	5	200DB	§1245	Property management and back office computers and peripherals in an office, medical office or hotel
00.13	Data Handling Equipment; except Computers: Includes only typewriters, calculators, adding and accounting machines, copiers, and duplicating equipment.	6	5	6	200DB	§1245	Copiers, calculators and duplicating equipment in an office

Part 7 (Elements 5 and 6): Nomenclature and Numbering System (3 of 6)

IRS Asset Class Reference (Rev. Proc. 87-56) (continued)

Class	Rev. Proc. 87-56 description	Class life	GDS	ADS	Method	IRC	Example for this property group
00.3	Land Improvements: Includes improvements directly to or added to land, whether such improvements are section 1245 property or section 1250 property, provided such improvements are depreciable. Examples of such assets might include sidewalks, roads, canals, waterways, drainage facilities, sewers (not including municipal sewers in Class 51), wharves and docks, bridges, fences, landscaping shrubbery, or radio and television transmitting towers. Does not include land improvements that are explicitly included in any other class, and buildings and structural components as defined in section 1.48-1(e) of the regulations. *Asset class 00.3 holds both §1245 and §1250 property, so a row in 00.3 states its own IRC character and is never labeled §1245 mechanically.*	20	15	20	150DB	§1245 or §1250	Surface parking lots, curb work and striping, pylon sign structures, site drainage and landscaping
57.0	Distributive Trades and Services: Includes assets used in wholesale and retail trade, and personal and professional services. Includes section 1245 assets used in marketing petroleum and petroleum products.	9	5	9	200DB	§1245	Dedicated equipment electrical, decorative lighting, trade name signage, removable floor coverings, kiosks and cashwraps in retail and service use; car wash systems and their dedicated electrical and plumbing

Part 7 (Elements 5 and 6): Nomenclature and Numbering System (4 of 6)

IRS Asset Class Reference (Rev. Proc. 87-56) (continued)

Class	Rev. Proc. 87-56 description	Class life	GDS	ADS	Method	IRC	Example for this property group
57.1	Distributive Trades and Services—Billboard, Service Station Buildings, and Petroleum Marketing Land Improvements: Includes section 1250 assets, including service station buildings and depreciable land improvements, whether section 1245 property or section 1250 property, used in the marketing of petroleum and petroleum products, but not including any of these facilities related to petroleum and natural gas trunk pipelines. Includes car wash buildings and related land improvements. Includes billboards, whether such assets are section 1245 property or section 1250 property. Excludes all other land improvements, buildings, and structural components as defined in section 1.48-1(e) of the regulations. *The only authority for a 15-year car wash building is this class (CCA 201509029 reads the sentence as a co-ordinate inclusion; a CCA is not precedent). Rev. Rul. 79-406 holds a car wash is a building, so the Conservative position keeps the wash building at 39 years. The retail motor fuels outlet provision of the statute covers fuel outlets only and is never cited for a car wash.*	20	15	20	150DB	§1245 or §1250	The car wash tunnel or wash building shell and the land improvements related to the wash (aprons, pads, wash bay paving); service station buildings and petroleum marketing land improvements; billboards

Part 7 (Elements 5 and 6): Nomenclature and Numbering System (5 of 6)

IRS Asset Class Reference (Rev. Proc. 87-56) (continued)

Class	Rev. Proc. 87-56 description	Class life	GDS	ADS	Method	IRC	Example for this property group
79.0	Recreation: Includes assets used in the provision of entertainment services on payment of a fee or admission charge, as in the operation of bowling alleys, billiard and pool establishments, theaters, concert halls, and miniature golf courses. Does not include amusement and theme parks and assets which consist primarily of specialized land improvements or structures, such as golf courses, sports stadia, race tracks, ski slopes, and buildings which house the assets used in entertainment services. *Never modeled. A 79.0 row exists only when a human or an AI document pass supplies it with its cost and documentation.*	10	7	10	200DB	§1245	Theater equipment, theater audio and video systems and entertainment equipment in a mall or resort (supplied rows only)
B	Building and structural components (Reg. §1.48-1(e)); nonresidential real property recovers over 39 years and residential rental property over 27.5 years, straight line, mid month convention. Not a Rev. Proc. 87-56 asset class. *Building component sub codes carry the prefix B because the IRS assigns no decimal asset class number to individual building components.*	n/a	n/a	n/a	SL	§1250	Structural frame, roofing, elevators and escalators, general electrical distribution, fire protection, energy management systems, permanently affixed finishes, attached and detached parking structures
functional_analysis	Functional analysis (no Rev. Proc. 87-56 class asserted): the row is classified by its function under Reg. §1.48-1(e) and the Whiteco permanence factors, and its recovery period follows that determination. *Printed where no class number exists rather than inventing one (protocol Step 9).*	n/a	n/a	n/a	n/a	§1245 or §1250	Wayfinding and digital directory hardware, retaining walls, specialty systems pending classification

Part 7 (Elements 5 and 6): Nomenclature and Numbering System (6 of 6)

IRS Asset Class Reference (Rev. Proc. 87-56) (continued)

Class	Rev. Proc. 87-56 description	Class life	GDS	ADS	Method	IRC	Example for this property group
follows_underlying	Follows the underlying asset: dedicated hook ups, branch circuits and connections take the IRC character, class and recovery period of the equipment they serve (functional allocation, Hospital Corp. of America; ATG Ch. 8.A.5).	n/a	n/a	n/a	n/a	§1245	Dedicated equipment electrical and plumbing hook ups, including car wash equipment power and water reclaim connections

Authorities for each class are printed in full in Part 17. Class 00.3 includes land improvements whether they are §1245 property or §1250 property, so each 00.3 row states its own character in Part 10.

Part 8 (Element 7): Legal Analysis (1 of 5)

The framework, the permanence factors applied system by system, the distinctions the Audit Techniques Guide draws for this property group, and the rules that decide the character of a row. Every row of Part 10 states the answer for its own component in the Function / Classification Rationale column.

Framework: buildings, structural components and tangible personal property

Every row is classified under Treas. Reg. §1.48-1(e): a building is any structure or edifice enclosing a space within its walls, usually covered by a roof, whose purpose is to provide shelter or housing or working, office, parking, display or sales space, and a structural component is a part of the building that relates to its operation or maintenance (walls, partitions, floors, ceilings, permanent coverings, windows, doors, central air conditioning and heating, plumbing, electric wiring and lighting fixtures, chimneys, stairs, elevators, sprinklers, fire escapes and other components relating to the operation or maintenance of a building). Everything else that is tangible property is analyzed as tangible personal property.

Hospital Corp. of America v. Commissioner, 109 T.C. 21 (1997), holds that the investment tax credit precedents govern the line between §1245 and §1250 property under MACRS; the Service acquiesced in result only and accepts a correct functional allocation of an electrical distribution system, which is the approach every ELEC and PLMB row in this study takes. Movability alone is not determinative.

Whiteco Industries, Inc. v. Commissioner, 65 T.C. 664 (1975), supplies the six permanence factors, restated at Pub. 5653 p. 21: (1) Is the property capable of being moved, and has it in fact been moved? (2) Is the property designed or constructed to remain permanently in place? (3) Are there circumstances, which tend to show the expected or intended lengths of affixation, i.e., are there circumstances, which show that the property may or will have to be moved? (4) How substantial of a job is the removal of a property and how time-consuming is it? Is it 'readily removable'? (5) How much damage will the property sustain upon its removal? (6) What is the manner of affixation of the property to the land? The factors are applied system by system below and the answer for each row is stated in its Function / Classification Rationale column in Part 10.

Authorities: Reg. §1.48-1(e); HCA (1997); Whiteco (1975).

Structure and building envelope (STRUCT): the permanence factors applied

1 row in Part 10 carries the STRUCT prefix. Foundations, framing, roofing, exterior walls and openings are designed and constructed to remain permanently in place and cannot be removed without destroying the structure, so every permanence factor points to a structural component under Reg. §1.48-1(e)(2). Rows in this system are §1250 building property unless a supplied row documents otherwise.

Authorities: Reg. §1.48-1(e); Whiteco (1975).

Part 8 (Element 7): Legal Analysis (2 of 5)

Electrical distribution (ELEC): the permanence factors applied

2 rows in Part 10 carry the ELEC prefix. General distribution (service entrance, switchgear, panels and the branch circuits that serve lighting and convenience outlets) relates to the operation of the building and is §1250. Branch circuits, disconnects and outlets that are necessary to and used directly with a specific item of equipment follow that equipment under the functional allocation approach the ATG accepts (Ch. 8.A.5, Hospital Corp. of America); those rows are §1245 and take the recovery period of the equipment served. The permanence factors are applied to the equipment, not to the wire.

Authorities: HCA (1997); Cost Segregation ATG; Reg. §1.48-1(e).

Plumbing and fire protection (PLMB): the permanence factors applied

1 row in Part 10 carries the PLMB prefix. Water supply, sanitary and storm piping and fire protection that serve the building are §1250. Water, gas, refrigerant and drain hook ups directly connected to a specific appliance or item of equipment follow that equipment (ATG Retail Exhibit A, Plumbing). Removability is weighed against the damage removal would cause to the connected system.

Authorities: HCA (1997); ATG Retail Exhibit A; Reg. §1.48-1(e).

Low voltage, communications and security (LOWV): the permanence factors applied

1 row in Part 10 carries the LOWV prefix. Building security, fire alarm and life safety wiring protect the building and its occupants and are §1250 (ATG Retail Exhibit A, Security Systems). Data, communications, paging and merchandise surveillance devices and their cabling serve the business rather than the building; they are readily removable and reusable, so factors 1, 2, 4 and 5 point to tangible personal property.

Authorities: ATG Retail Exhibit A; Whiteco (1975).

Part 8 (Element 7): Legal Analysis (3 of 5)

Interior finishes (FIN): the permanence factors applied

2 rows in Part 10 carry the FIN prefix. Permanently affixed finishes (ceramic tile, terrazzo, drywall, paint, permanent ceilings) are structural components. Carpet, vinyl composition tile and sheet vinyl installed with strippable adhesives, and other finishes that can be removed without damage to the finish or the building, are §1245 under the ATG Retail Exhibit A floor coverings row; factor 5 (damage on removal) is decisive.

Authorities: ATG Retail Exhibit A; Whiteco (1975); Reg. §1.48-1(e).

Process and specialty equipment (EQUIP): the permanence factors applied

1 row in Part 10 carries the EQUIP prefix. Kitchen, laundry, wash, medical and other operating equipment is machinery rather than a structural component even when bolted down: factor 2 (designed to remain in place) is outweighed by factors 1, 4 and 5 and by the equipment's function. Car wash systems are listed as machinery and equipment in the ATG auto dealership matrix (Ch. 7.F).

Authorities: Whiteco (1975); Cost Segregation ATG.

Site improvements and site utilities (SITE): the permanence factors applied

7 rows in Part 10 carry the SITE prefix. Paving, curbing, sidewalks, fencing, landscaping, pole mounted site lighting and site drainage are land improvements in asset class 00.3, which holds both §1245 and §1250 property. Site preparation directly associated with a building follows the building, site preparation directly associated with depreciable land improvements follows them, and one time clearing and grading to allow development is land (ATG Retail Exhibit A, Site Prep/Grading). The question for this system is whether the improvement is to the land or to the building, not the permanence factors.

Authorities: Rev. Proc. 87-56, 00.3; ATG Retail Exhibit A.

Part 8 (Element 7): Legal Analysis (4 of 5)

Distinctions the Audit Techniques Guide draws for this property group

Short life (§1245 property or a land improvement)	Long life (the building and its structural components)
Interior and exterior signs used for display or theme identity, including only the sign face of a pylon sign (§1245, 57.0, 5 years)	Exit signs, restroom identifiers, room numbers and other signs relating to the operation or maintenance of the building (§1250, building)
Electronic article surveillance and other merchandise security equipment whose primary purpose is to minimize shrinkage due to theft (§1245, 57.0, 5 years)	Security systems that protect the building and its contents: card key access, security cameras, motion detectors, alarm systems and their wiring (§1250, building)
Special electrical connections necessary to and used directly with a specific item of machinery or equipment: dedicated outlets, wiring, conduit and circuit breakers (§1245, 57.0, 5 years)	Electrical outlets and distribution of general applicability and accessibility (§1250, building)
The sign face of a pylon sign (§1245, 57.0, 5 years)	Light poles and pylon poles poured in concrete footings or bolt mounted (asset class 00.3, 15 years; 00.3 holds both characters)
Neon or track lighting that is decorative in nature and not necessary for the operation of the building (§1245, 57.0, 5 years)	Lighting that provides substantially all of the artificial illumination, including decorative lighting when it is the primary source of lighting (§1250, building)
Carpet, vinyl composition tile and sheet vinyl installed by means of strippable adhesives (§1245, 57.0, 5 years)	Permanently affixed tile, marble, epoxy and wood floor coverings (§1250, building)
Decorative millwork, cabinets, cashwraps, counters and toppers, and kiosks that function as portable retail outlets (§1245, 57.0, 5 years)	Interior walls, doors, mall entrance security gates, ceilings and permanently affixed finishes (§1250, building)
Grade level surface parking with bumper blocks, curb work, striping, landscape islands, perimeter fences and sidewalks (asset class 00.3, 15 years)	Garages, parking ramps and other parking structures, attached or stand alone (§1250, building, 39 years)
Wash equipment, conveyors, dryers, vacuums, payment kiosks and their dedicated electrical and plumbing (§1245, 57.0, 5 years)	The wash building or tunnel shell and the land improvements related to the wash (asset class 57.1, 15 years, 150 percent declining balance)
The car wash building at 15 years under asset class 57.1 at every position	The car wash structure as a 39 year building under Rev. Rul. 79-406, which this study does not adopt at any position
Car wash buildings and related land improvements read into class 57.1 as a co-ordinate inclusion (CCA 201509029, which is not precedent)	A truck sales and service facility is 39-year nonresidential real property, not class 57.1 (the same CCA)

Authorities: ATG Retail Exhibit A; ATG Ch. 8.B; Rev. Proc. 87-56, 57.1; Rev. Rul. 79-406; CCA 201509029.

Part 8 (Element 7): Legal Analysis (5 of 5)

Asset categories before activity categories

Rev. Proc. 87-56 has two broad categories of asset classes: asset categories 00.11 through 00.4, which describe specific assets used in all business activities, and activity categories 01.1 through 80.0, which describe assets used in specific business activities. An item described in both is classified to the asset category unless it is specifically excluded from the asset category or specifically included in the activity category (Norwest Corp. v. Commissioner, 111 T.C. 105 (1998); Rev. Rul. 2003-81). A desk is class 00.11 (7 years) and a cash register is class 57.0 (5 years) because cash registers are not listed in an asset category but are assets used in retail. Property with no class life and no activity class defaults to 7-year GDS and 12-year ADS, a category the ATG notes very few assets fall into.

Authorities: Cost Segregation ATG; Norwest (1998); Rev. Rul. 2003-81.

Land improvements (asset class 00.3) hold both characters

Asset class 00.3 includes improvements directly to or added to land whether such improvements are §1245 property or §1250 property, so the class does not settle the character of a row. Each of the 7 00.3 rows in this study states its own IRC character in Part 10 (0 §1245, 7 §1250); the recovery period is 15 years at 150 percent declining balance either way, and the character matters on disposition (Part 14).

Authorities: Rev. Proc. 87-56, 00.3; IRC §1245; IRC §1250.

Preliminary classifications and the asterisk convention

* Preliminary, subject to documentation, ownership, use/function and acquisition verification. A preliminary classification is one whose ownership, function, construction, cost, dedicated use, building use and supporting records have not all been established through the documents in Part 5 and the interviews in Part 6; the schedule prints the asterisk so the reader can see which rows still rest on the modeled shares or on a single source.

Authorities: Cost Segregation ATG.

Part 9 (Element 8): Engineering Take-Offs and Unit Costs

No engineering take-off was performed.

No engineering take-off was performed. Each modeled row is a share of its class pool (the 5-year, 7-year and 15-year pools sized by the property type's Conservative, Middle of the Road and Aggressive percentages and split by the type's 5/15 category), and the residual stays in the building shell. Quantity prints TBD, pending field inventory and unit cost prints a dash on every modeled row; the Source of Cost column names the pool each row was drawn from.

Costing Tiers Used (protocol Step 6, best evidence first)

Tier	Source of cost	Rows in Part 10
1	Actual identifiable cost	0
2	Actual cost allocated through engineering analysis	0
3	Engineering quantity takeoff × supported unit cost	0
4	Replacement/reproduction cost estimate	0
5	Residual/pro-rata allocation	15

Sources

- SmartCostSeg component weight tables by split category (house judgment, disclosed in Part 4)
- The Conservative, Middle of the Road and Aggressive percentages for Distribution Center are transcribed verbatim from the Expectation Guide row "Distribution Center"; they are planning priors, not a substitute for documentation.
- The 5-year and 15-year split for this property type follows the Expectation Guide row "Warehouse" (typical split between 5-year and 15-year property), applied at the range midpoints.

A field inventory, record drawings or a contractor's schedule of values replace the modeled shares with take-off quantities and supported unit costs (protocol Step 6: actual identifiable cost first, then actual cost allocated through engineering analysis, then quantity times unit cost, then a replacement cost estimate, and residual allocation last).

Quantity prints "TBD, pending field inventory" and unit cost prints "—" on every modeled row of Part 10; the Source of Cost column names the pool each modeled row was drawn from.

Part 10 (Element 9): Detailed Asset Classification and Cost Schedule (1 of 3)

Asset ID	Asset/Component	Location	Building System	Function/Classification Rationale	IRC Classification	IRS Asset Class	MACRS Recovery Period	§168(k) Eligibility	Quantity	Unit Cost	Total Cost	Source of Cost	Legal Authority	Supporting Documentation
EQUIP-001	Dock levelers, seals, bumpers and door equipment	Building-wide (modeled share)	Process and specialty equipment	Dock levelers, seals, bumpers and door equipment are machinery used in the distribution activity, readily replaced and not part of the building structure; asset class 57.0 covers assets used in wholesale and retail trade.	§1245	57.0-01*	5-year	Eligible, 100%	TBD, pending field inventory	—	$325,499	Modeled share of the 5-year pool for Distribution Center	Rev. Proc. 87-56, 57.0	None on file
ELEC-001	Electrical branch circuits and outlets dedicated to equipment REVIEW	Building-wide (modeled share)	Electrical distribution	Branch circuits, outlets and disconnects that are necessary to and used directly with a specific item of equipment rather than the general building service follow that equipment under the functional allocation approach of Hospital Corp. of America and ATG Ch. 8.A.5; the permanence factors are applied to the equipment served, not to the wire.	§1245	Follows underlying asset*	5-year	Eligible, 100%	TBD, pending field inventory	—	$406,874	Modeled share of the 5-year pool for Distribution Center	HCA (1997)	None on file
PLMB-001	Plumbing connections dedicated to equipment and appliances REVIEW	Building-wide (modeled share)	Plumbing and fire protection	Water, gas and drain hook ups directly connected to a specific appliance or item of equipment take the character and recovery period of that equipment (ATG Retail Exhibit A, Plumbing; Hospital Corp. of America); general supply, sanitary and storm piping remain with the building.	§1245	Follows underlying asset*	5-year	Eligible, 100%	TBD, pending field inventory	—	$81,375	Modeled share of the 5-year pool for Distribution Center	HCA (1997)	None on file
FIN-001	Carpet, vinyl and other removable floor coverings	Building-wide (modeled share)	Interior finishes	Carpet, vinyl composition tile and sheet vinyl laid with strippable adhesives can be removed without damage to the finish or the building and serve the occupant's use rather than the operation of the building; under Reg. §1.48-1(e) and the ATG floor coverings row they are tangible personal property, so Whiteco factors 1, 4 and 5 all point to §1245 property.	§1245	57.0-02*	5-year	Eligible, 100%	TBD, pending field inventory	—	$108,500	Modeled share of the 5-year pool for Distribution Center	Reg. §1.48-1(e)	None on file
LOWV-001	Low-voltage security, access-control and data cabling	Building-wide (modeled share)	Low voltage, communications and security	Data, communications, access control and surveillance devices and their cabling serve the business conducted in the building rather than the building itself and can be removed and reused; building fire alarm and life safety wiring are excluded and stay §1250 (ATG Retail Exhibit A, Security Systems).	§1245	Functional analysis*	5-year	Eligible, 100%	TBD, pending field inventory	—	$189,874	Modeled share of the 5-year pool for Distribution Center	HCA (1997)	None on file

* Preliminary, subject to documentation, ownership, use/function and acquisition verification.

Costs shown are the Middle of the Road position; every row's cost at the Conservative, Middle of the Road and Aggressive positions is a column of the fixed asset CSV, and the class totals at the three positions are the Part 1 table. Authorities are cited in short form and printed in full in Part 17. Direct cost, indirect allocation, method, convention, the §168(k) amount and the first year deduction of every row are in the fixed asset CSV.

Part 10 (Element 9): Detailed Asset Classification and Cost Schedule (2 of 3)

Asset ID	Asset/Component	Location	Building System	Function/Classification Rationale	IRC Classification	IRS Asset Class	MACRS Recovery Period	§168(k) Eligibility	Quantity	Unit Cost	Total Cost	Source of Cost	Legal Authority	Supporting Documentation
ELEC-002	Decorative and accent lighting fixtures	Building-wide (modeled share)	Electrical distribution	Neon, track and accent fixtures that are decorative in nature and not necessary for the operation of the building are tangible personal property under the ATG lighting rows; the row is limited to fixtures that do not provide the primary source of illumination, which stays with the building.	§1245	57.0-03*	5-year	Eligible, 100%	TBD, pending field inventory	—	$54,250	Modeled share of the 5-year pool for Distribution Center	ATG Retail Exhibit A	None on file
FIN-002	Miscellaneous removable finishes and accessories	Building-wide (modeled share)	Interior finishes	Removable accessories and finish items that are neither structural components nor permanently affixed finishes are classified by function under Reg. §1.48-1(e); permanently affixed tile, drywall and paint remain with the building.	§1245	Functional analysis*	5-year	Eligible, 100%	TBD, pending field inventory	—	$189,874	Modeled share of the 5-year pool for Distribution Center	Reg. §1.48-1(e)	None on file
SITE-001	Parking lot paving, curbs and striping	Site (modeled share)	Site improvements and site utilities	Grade level surface parking, curbing and striping are depreciable improvements to land in asset class 00.3 rather than to the building; they are inherently permanent, so the row carries §1250 character.	§1250	00.3-01*	15-year	Eligible, 100%	TBD, pending field inventory	—	$478,675	Modeled share of the 15-year land improvement pool for Distribution Center	Rev. Proc. 87-56, 00.3	None on file
SITE-002	Truck courts and yard paving	Site (modeled share)	Site improvements and site utilities	Truck courts and yard paving are improvements directly to land in asset class 00.3, inherently permanent and carried as §1250.	§1250	00.3-02*	15-year	Eligible, 100%	TBD, pending field inventory	—	$239,338	Modeled share of the 15-year land improvement pool for Distribution Center	Rev. Proc. 87-56, 00.3	None on file
SITE-003	Sidewalks and exterior hardscape	Site (modeled share)	Site improvements and site utilities	Sidewalks and exterior hardscape are named in asset class 00.3 as improvements directly to land; they are inherently permanent land improvements and carry §1250 character.	§1250	00.3-03*	15-year	Eligible, 100%	TBD, pending field inventory	—	$47,867	Modeled share of the 15-year land improvement pool for Distribution Center	Rev. Proc. 87-56, 00.3	None on file

* Preliminary, subject to documentation, ownership, use/function and acquisition verification.

Costs shown are the Middle of the Road position; every row's cost at the Conservative, Middle of the Road and Aggressive positions is a column of the fixed asset CSV, and the class totals at the three positions are the Part 1 table. Authorities are cited in short form and printed in full in Part 17. Direct cost, indirect allocation, method, convention, the §168(k) amount and the first year deduction of every row are in the fixed asset CSV.

Part 10 (Element 9): Detailed Asset Classification and Cost Schedule (3 of 3)

Asset ID	Asset/Component	Location	Building System	Function/Classification Rationale	IRC Classification	IRS Asset Class	MACRS Recovery Period	§168(k) Eligibility	Quantity	Unit Cost	Total Cost	Source of Cost	Legal Authority	Supporting Documentation
SITE-004	Landscaping, shrubbery and planting beds	Site (modeled share)	Site improvements and site utilities	Shrubbery and planting beds adjacent to the building that would be replaced with it are depreciable land improvements named in asset class 00.3; one time clearing and grading is land and is excluded.	§1250	00.3-04*	15-year	Eligible, 100%	TBD, pending field inventory	—	$143,603	Modeled share of the 15-year land improvement pool for Distribution Center	Rev. Proc. 87-56, 00.3	None on file
SITE-005	Site drainage, storm structures and retention	Site (modeled share)	Site improvements and site utilities	Storm structures, catch basins and retention serving the site are drainage facilities named in asset class 00.3; building related earthwork stays with the building, so the row is limited to the site share.	§1250	00.3-05*	15-year	Eligible, 100%	TBD, pending field inventory	—	$143,602	Modeled share of the 15-year land improvement pool for Distribution Center	Rev. Proc. 87-56, 00.3	None on file
SITE-006	Fencing, gates and retaining walls	Site (modeled share)	Site improvements and site utilities	Fences, gates and retaining walls are named in asset class 00.3; the row carries §1250 character as an inherently permanent land improvement.	§1250	00.3-06*	15-year	Eligible, 100%	TBD, pending field inventory	—	$83,769	Modeled share of the 15-year land improvement pool for Distribution Center	Rev. Proc. 87-56, 00.3	None on file
SITE-007	Site and parking-lot lighting (poles, bases, circuits)	Site (modeled share)	Site improvements and site utilities	Pole mounted lighting poured in concrete footings that illuminates parking and walkways is a land improvement in asset class 00.3 under the ATG exterior lighting row; the class holds both characters and the poles are carried as §1250 pending field verification.	§1250	00.3-07*	15-year	Eligible, 100%	TBD, pending field inventory	—	$59,834	Modeled share of the 15-year land improvement pool for Distribution Center	Rev. Proc. 87-56, 00.3	None on file
STRUCT-001	Building structure and structural components (residual, 39-year)	Building shell (residual)	Structure and building envelope	Foundation, framing, roofing, exterior walls, general electrical, general plumbing, HVAC, and permanently affixed finishes are structural components under Reg. §1.48-1(e)(2), recovered as nonresidential real property over 39 years, straight line, mid month convention.	§1250	B-01*	39-year	Not eligible: real property	TBD, pending field inventory	—	$9,051,313	Residual of the building basis after the modeled pools for Distribution Center	Reg. §1.48-1(e)	None on file
All classes, total allocated (reconciles to the depreciable basis)											**$11,604,247**			

* Preliminary, subject to documentation, ownership, use/function and acquisition verification.

Costs shown are the Middle of the Road position; every row's cost at the Conservative, Middle of the Road and Aggressive positions is a column of the fixed asset CSV, and the class totals at the three positions are the Part 1 table. Authorities are cited in short form and printed in full in Part 17. Direct cost, indirect allocation, method, convention, the §168(k) amount and the first year deduction of every row are in the fixed asset CSV.

Part 11 (Element 10): Basis Reconciliation

From the total consideration to an unreconciled difference of zero: land is removed first, the depreciable basis is split into direct and indirect cost, and every recovery class is listed under each position. The engine refuses to build a study whose allocation does not equal the depreciable basis, so the last line is zero by construction, not by a plug.

Line	Conservative	Middle of the Road (stated)	Aggressive
Total consideration (purchase price)	$12,893,608	$12,893,608	$12,893,608
Less: nondepreciable land (default allocation (10% of final construction cost))	$(1,289,361)	$(1,289,361)	$(1,289,361)
Adjustments to basis	$–	$–	$–
Depreciable basis	**$11,604,247**	**$11,604,247**	**$11,604,247**
Direct costs identified	$11,604,247	$11,604,247	$11,604,247
Indirect costs allocated (Part 12)	$–	$–	$–
5-Year Personal Property (§1245)	$924,713	$1,356,246	$1,849,427
15-Year Land Improvements	$815,924	$1,196,688	$1,631,847
39-Year Nonresidential Real Property	$9,863,610	$9,051,313	$8,122,973
Total allocated	**$11,604,247**	**$11,604,247**	**$11,604,247**
Unreconciled difference	**$–**	**$–**	**$–**

The schedule foots. Total allocated of $11,604,247 equals the depreciable building basis of $11,604,247 to the dollar at the Conservative, Middle of the Road and Aggressive positions, so there is no unallocated remainder and no rounding plug anywhere in the schedule.

Indirect costs allocated in Part 12 sit inside the class lines: each row of Part 15 shows its direct cost and its indirect allocation separately, and the two always add to the row's reconciled cost.

Part 12 (Element 11): Indirect Costs (1 of 3)

The 38 indirect cost categories print with their treatment and allocation rule; no amounts have been supplied, so nothing is allocated and every category reads not supplied. Unallocated cost stays in the reconciled basis of the rows as supplied.

The direct and allocable indirect costs of produced property are capitalized under IRC §263A and Treas. Reg. §1.263A-1(e); interest paid or incurred during the production period is capitalized under §263A(f) and spread over the real property classes. Treas. Reg. §1.263(a)-3 (the improvement standards) is a different rule and is kept apart from §263A throughout this study.

#	Category (owner's list, verbatim)	Treatment	Allocation rule	Amount	Allocated to	Authority
1	Architectural Fees	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
2	Structural Engineering	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
3	Civil Engineering	Partly capitalizable	Direct trace to the asset served	Not supplied		Cost Segregation ATG
4	Mechanical Engineering	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
5	Electrical Engineering	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
6	Plumbing Engineering	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
7	Permits	Capitalizable	Pro rata by direct cost	Not supplied		Cost Segregation ATG
8	Inspection Fees	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
9	Construction Management	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
10	General Conditions	Capitalizable	Pro rata by direct cost	Not supplied		Cost Segregation ATG
11	Contractor Overhead	Capitalizable	Pro rata by direct cost	Not supplied		Cost Segregation ATG
12	Contractor Profit	Capitalizable	Pro rata by direct cost	Not supplied		Cost Segregation ATG
13	Insurance	Partly capitalizable	Pro rata by direct cost	Not supplied		IRC §263A

Part 12 (Element 11): Indirect Costs (2 of 3)

#	Category (owner's list, verbatim)	Treatment	Allocation rule	Amount	Allocated to	Authority
14	Bonds	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
15	Testing	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
16	Commissioning	Capitalizable	Direct trace to the asset served	Not supplied		IRC §263A
17	Interior Design Fees	Capitalizable	Direct trace to the asset served	Not supplied		IRC §263A
18	Surveying	Partly capitalizable	Land only (outside the depreciable basis)	Not supplied		Cost Segregation ATG
19	Geotechnical Engineering	Capitalizable	Direct trace to the asset served	Not supplied		IRC §263A
20	Environmental Testing	Partly capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
21	Temporary Utilities	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
22	Temporary Facilities	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
23	Project Supervision	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
24	Construction Security	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
25	Equipment Rental	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
26	Mobilization	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A

Part 12 (Element 11): Indirect Costs (3 of 3)

#	Category (owner's list, verbatim)	Treatment	Allocation rule	Amount	Allocated to	Authority
27	Project Administration	Partly capitalizable	Mixed service cost allocation	Not supplied		IRC §263A
28	Utility Connection Fees	Partly capitalizable	Building only	Not supplied		ATG Retail Exhibit A
29	Impact Fees	Capitalizable	Building only	Not supplied		Rev. Rul. 2002-9
30	Owner's Representative Fees	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
31	Design Consultants	Capitalizable	Direct trace to the asset served	Not supplied		Cost Segregation ATG
32	Special Inspections	Capitalizable	Direct trace to the asset served	Not supplied		IRC §263A
33	Material Testing	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
34	Developer Fees	Partly capitalizable	Mixed service cost allocation	Not supplied		IRC §263A
35	Construction-Period Property Taxes	Capitalizable	Pro rata by direct cost	Not supplied		IRC §263A
36	Construction-Related Legal Fees	Partly capitalizable	Mixed service cost allocation	Not supplied		IRC §263A
37	Construction-Period Interest	Capitalizable	Production period interest over the real property classes	Not supplied		IRC §263A
38	Other Capitalizable Construction Costs	Partly capitalizable	Pro rata by direct cost	Not supplied		IRC §263A

Allocation Summary

Destination	Amount
Land (outside the depreciable basis)	$–
Total indirect cost supplied (0 of 38 categories)	**$–**

The 38 indirect cost categories are the owner's supplied list, transcribed verbatim and in the owner's order; no corpus document carries this list. The treatment of each category (capitalizable, partly capitalizable or not capitalizable) and its allocation rule follow ATG Ch. 4.C.11 and Treas. Reg. §1.263A-1(e), with the specific authority printed under each row. Amounts print only when the owner or admin has entered them; a category without an amount prints not supplied.

Part 13 (Element 12): Section 1245 Property Schedule

Every row this study classifies as §1245 property, listed separately from the §1250 building property so the return preparer and a later disposition can find them without re-reading the schedule. Character is stated per row in Part 10; it is never inferred from the recovery class.

Asset ID	Component	System	IRS Asset Class	Conservative	Middle of the Road (Stated)	Aggressive
EQUIP-001	Dock levelers, seals, bumpers and door equipment	EQUIP	57.0-01*	$221,931	$325,499	$443,862
ELEC-001	Electrical branch circuits and outlets dedicated to equipment	ELEC	Follows underlying asset*	$277,414	$406,874	$554,829
PLMB-001	Plumbing connections dedicated to equipment and appliances	PLMB	Follows underlying asset*	$55,483	$81,375	$110,965
FIN-001	Carpet, vinyl and other removable floor coverings	FIN	57.0-02*	$73,977	$108,500	$147,954
LOWV-001	Low-voltage security, access-control and data cabling	LOWV	Functional analysis*	$129,460	$189,874	$258,920
ELEC-002	Decorative and accent lighting fixtures	ELEC	57.0-03*	$36,989	$54,250	$73,977
FIN-002	Miscellaneous removable finishes and accessories	FIN	Functional analysis*	$129,459	$189,874	$258,920
Total §1245 property (11.7% of the depreciable basis at the stated position)				**$924,713**	**$1,356,246**	**$1,849,427**

On a later disposition, gain is ordinary income under IRC §1245 to the extent of depreciation allowed or allowable on these rows, including the §168(k) allowance; the maximum §1245 ordinary recapture exposure equals their full cost, $1,356,246 at the Middle of the Road position (Conservative $924,713, Middle of the Road $1,356,246, Aggressive $1,849,427). The remaining $10,248,001 is §1250 property (the building and its structural components, and land improvements carrying §1250 character), where ordinary recapture is limited to additional depreciation over straight line and unrecaptured §1250 gain is taxed at a maximum 25 percent rate. Every row in this schedule was classified from §1250 building property to §1245 property by this study; no separately acquired §1245 property was reported, so nothing is listed twice.

Part 14 (Element 13): Related Tax Considerations (1 of 3)

The eight considerations Publication 5653 lists beside the classification itself, each marked as it applies to this property on the facts recorded. A Pending mark means the owner has not yet answered the question and the assumptions say what the study rests on meanwhile.

§168(k) used property acquisition requirements (related party and prior use) DOES NOT APPLY

The property was constructed by or for the taxpayer, so the used property rules of Treas. Reg. §1.168(k)-2(b)(3)(iii) do not apply; the 100% §168(k) rate rests on the acquisition and placed in service dates.

Placed in service date APPLIES

This study treats every asset as acquired 2026-01-15 and placed in service 2026-06-01, in tax year 2026. Property is placed in service when it is ready and available for its specific use (Pub. 946), which can precede or follow the closing date; the placed in service date fixes the tax year of the first deduction, the applicable convention and, together with the acquisition date, the §168(k) rate.

Convention resolved: half-year for personal property (0% of the personal property basis fell in the fourth quarter, under the 40 percent test); mid-month for real property. If the placed in service date differs from the date recorded, every schedule in Part 15 shifts with it.

Authorities: Pub. 946; Rev. Proc. 87-57; IRC §168(k).

Ground lease and leasehold interests PENDING

Ground lease or leasehold status has not been recorded. A leasehold changes what is depreciated, not how components are classified; improvements on leased property are recovered under §168 regardless of the lease term.

Authorities: IRC §178; Reg. §1.167(a)-4; Reg. §1.48-1(e).

Ownership of tenant improvements PENDING

Ownership of any tenant improvements has not been recorded. Tax ownership decides who depreciates an improvement; rows that belong to a tenant or that a §110 allowance funded would leave this study.

Authorities: IRC §110; Reg. §1.167(a)-4; Reg. §1.48-1(e).

Part 14 (Element 13): Related Tax Considerations (2 of 3)

§263A uniform capitalization, kept apart from Treas. Reg. §1.263(a)-3 APPLIES

The property was constructed by or for the taxpayer, so it is produced property under IRC §263A(g) and the direct and allocable indirect costs of production are capitalized into the basis of the assets they benefit (Treas. Reg. §1.263A-1(e)(3)); Part 12 lists the indirect cost categories and the allocation rule applied to each, interest paid or incurred during the production period is capitalized under §263A(f) (all real property is designated property for that purpose), and small business taxpayers under §263A(i) are exempt.

IRC §263A and Treas. Reg. §1.263(a)-3 are different rules and this study keeps them apart: §263A is the uniform capitalization of the direct and allocable indirect costs of property the taxpayer produces (construct, build, install, improve), including interest paid or incurred during the production period under §263A(f); Treas. Reg. §1.263(a)-3 holds the improvement standards (betterment, restoration, adaptation) that decide whether a later expenditure on a unit of property is capitalized or deducted. Neither rule changes the recovery class of an asset.

Authorities: IRC §263A; Reg. §1.263(a)-2(f); Reg. §1.263(a)-3.

Accounting method and Form 3115 DOES NOT APPLY

Every asset is placed in service in 2026, the current tax year, so the classification goes on the original return and no method change is involved; a later adoption would need Form 3115 (DCN 7), not an amended return.

Sampling methodology (Rev. Proc. 2011-42) DOES NOT APPLY

No statistical sampling was used: every asset is listed individually in Part 10, and a modeled row is a share of a class pool, not a sampled unit projected to a population. Any sampling must follow Rev. Proc. 2011-42.

Part 14 (Element 13): Related Tax Considerations (3 of 3)

Disposition and recapture APPLIES

Gain on a later disposition of the §1245 property listed in Part 13 is ordinary income to the extent of depreciation allowed or allowable, including the §168(k) allowance (IRC §1245). The maximum §1245 ordinary recapture exposure is the full cost of those rows: $1,356,246 at the Middle of the Road position (Conservative $924,713, Middle of the Road $1,356,246, Aggressive $1,849,427).

The §1250 pool of $10,248,001 (the building and its structural components, and land improvements carrying §1250 character) is subject to IRC §1250, where ordinary recapture is limited to additional depreciation over straight line, generally zero under straight line MACRS, and unrecaptured §1250 gain is taxed at a maximum 25 percent rate. The disposition of a single reclassified component before the building is sold follows Treas. Reg. §1.168(i)-8 (partial dispositions), cited here for reference.

Authorities: IRC §1245; IRC §1250; Reg. §1.168(i)-8.

Part 15: Depreciation and §168(k) Analysis

Binding contract / acquired date	January 15, 2026
Placed-in-service date	June 1, 2026
Additional first-year depreciation rate	100%
Rule applied	Acquired and placed in service after January 19, 2025: 100% additional first-year depreciation, made permanent by OBBBA (IRC §168(k); Treas. Reg. §1.168(k)-2).
Eligible basis (recovery period of 20 years or less, stated position)	$2,552,934
Additional first-year depreciation (stated position)	**$2,552,934**

14 of 15 asset rows are eligible; 1 are not. Reasons recorded for the ineligible rows: Not eligible: 39-year real property is outside §168(k).

The Allowance and the First Year at Each Position

Position	§168(k) Allowance	First Year With Study	Without Study	Additional	Est. Tax Savings
Conservative	$1,740,637	$1,877,840	$161,415	$1,716,425	$635,077
Middle of the Road (stated)	$2,552,934	$2,678,838	$161,415	$2,517,423	$931,447
Aggressive	$3,481,274	$3,594,265	$161,415	$3,432,850	$1,270,155

Elections and Notes

- Additional first-year depreciation applies to property with a recovery period of 20 years or less; 27.5-year and 39-year real property is not eligible.
- An election out of additional first-year depreciation is made by property class on the return; whether it fits the overall tax position is your CPA's call.
- Bonus by position: Conservative $1,740,637, Middle of the Road $2,552,934, Aggressive $3,481,274; the Middle of the Road position is the one this study states.

An election out of additional first-year depreciation is made by property class on a timely filed return. Whether to make it is your preparer's call, not this study's.

Part 15: Depreciation Schedules (1 of 8)

5-Year Personal Property (§1245) (Middle of the Road position)

Year	Calendar Year	Bonus	Regular	Total	Cumulative
1	2026	$1,356,246	$–	$1,356,246	$1,356,246

Basis fully recovered above; the remaining 5 years through 2031 each carry $0.

Part 15: Depreciation Schedules (2 of 8)

15-Year Land Improvements (Middle of the Road position)

Year	Calendar Year	Bonus	Regular	Total	Cumulative
1	2026	$1,196,688	$–	$1,196,688	$1,196,688

Basis fully recovered above; the remaining 15 years through 2041 each carry $0.

Year-by-Year Comparison (first 14 years)

Year	With Cost Segregation	Without Cost Segregation	Difference	Cumulative Difference
1	$2,678,838	$161,415	$2,517,423	$2,517,423
2	$232,075	$297,533	$(65,458)	$2,451,965
3	$232,076	$297,533	$(65,457)	$2,386,508
4	$232,076	$297,533	$(65,457)	$2,321,051
5	$232,075	$297,533	$(65,458)	$2,255,593
6	$232,076	$297,533	$(65,457)	$2,190,136
7	$232,076	$297,532	$(65,456)	$2,124,680
8	$232,075	$297,533	$(65,458)	$2,059,222
9	$232,076	$297,533	$(65,457)	$1,993,765
10	$232,076	$297,533	$(65,457)	$1,928,308
11	$232,075	$297,533	$(65,458)	$1,862,850
12	$232,076	$297,533	$(65,457)	$1,797,393
13	$232,076	$297,533	$(65,457)	$1,731,936
14	$232,075	$297,533	$(65,458)	$1,666,478

The comparison runs 40 years; every remaining year is printed in full in the schedule tables on the preceding pages.

Convention

The half-year convention applies to personal property: fourth-quarter personal-property basis is 0.0% of the year's, below the threshold that would trigger the mid-quarter convention. Real property uses the mid-month convention.

Part 15: Depreciation Schedules (3 of 8)

39-Year Nonresidential Real Property (Middle of the Road position)

Year	Calendar Year	Bonus	Regular	Total	Cumulative
1	2026	$–	$125,904	$125,904	$125,904
2	2027	$–	$232,075	$232,075	$357,979
3	2028	$–	$232,076	$232,076	$590,055
4	2029	$–	$232,076	$232,076	$822,131
5	2030	$–	$232,075	$232,075	$1,054,206
6	2031	$–	$232,076	$232,076	$1,286,282
7	2032	$–	$232,076	$232,076	$1,518,358
8	2033	$–	$232,075	$232,075	$1,750,433
9	2034	$–	$232,076	$232,076	$1,982,509
10	2035	$–	$232,076	$232,076	$2,214,585
11	2036	$–	$232,075	$232,075	$2,446,660
12	2037	$–	$232,076	$232,076	$2,678,736
13	2038	$–	$232,076	$232,076	$2,910,812
14	2039	$–	$232,075	$232,075	$3,142,887
15	2040	$–	$232,076	$232,076	$3,374,963
16	2041	$–	$232,076	$232,076	$3,607,039
17	2042	$–	$232,075	$232,075	$3,839,114
18	2043	$–	$232,076	$232,076	$4,071,190
19	2044	$–	$232,076	$232,076	$4,303,266
20	2045	$–	$232,075	$232,075	$4,535,341
21	2046	$–	$232,076	$232,076	$4,767,417
22	2047	$–	$232,076	$232,076	$4,999,493
23	2048	$–	$232,075	$232,075	$5,231,568
24	2049	$–	$232,076	$232,076	$5,463,644
25	2050	$–	$232,076	$232,076	$5,695,720
26	2051	$–	$232,075	$232,075	$5,927,795
27	2052	$–	$232,076	$232,076	$6,159,871
28	2053	$–	$232,076	$232,076	$6,391,947
29	2054	$–	$232,075	$232,075	$6,624,022
30	2055	$–	$232,076	$232,076	$6,856,098

Part 15: Depreciation Schedules (4 of 8)

39-Year Nonresidential Real Property (Middle of the Road position)

Year	Calendar Year	Bonus	Regular	Total	Cumulative
31	2056	$–	$232,076	$232,076	$7,088,174
32	2057	$–	$232,075	$232,075	$7,320,249
33	2058	$–	$232,076	$232,076	$7,552,325
34	2059	$–	$232,076	$232,076	$7,784,401
35	2060	$–	$232,075	$232,075	$8,016,476
36	2061	$–	$232,076	$232,076	$8,248,552
37	2062	$–	$232,076	$232,076	$8,480,628
38	2063	$–	$232,075	$232,075	$8,712,703
39	2064	$–	$232,076	$232,076	$8,944,779
40	2065	$–	$106,534	$106,534	$9,051,313
39-Year Nonresidential Real Property total				**$9,051,313**	

Part 15: Depreciation Schedules (5 of 8)

Combined — all classes (with the study) (Middle of the Road position)

Year	Calendar Year	Bonus	Regular	Total	Cumulative
1	2026	$2,552,934	$125,904	$2,678,838	$2,678,838
2	2027	$–	$232,075	$232,075	$2,910,913
3	2028	$–	$232,076	$232,076	$3,142,989
4	2029	$–	$232,076	$232,076	$3,375,065
5	2030	$–	$232,075	$232,075	$3,607,140
6	2031	$–	$232,076	$232,076	$3,839,216
7	2032	$–	$232,076	$232,076	$4,071,292
8	2033	$–	$232,075	$232,075	$4,303,367
9	2034	$–	$232,076	$232,076	$4,535,443
10	2035	$–	$232,076	$232,076	$4,767,519
11	2036	$–	$232,075	$232,075	$4,999,594
12	2037	$–	$232,076	$232,076	$5,231,670
13	2038	$–	$232,076	$232,076	$5,463,746
14	2039	$–	$232,075	$232,075	$5,695,821
15	2040	$–	$232,076	$232,076	$5,927,897
16	2041	$–	$232,076	$232,076	$6,159,973
17	2042	$–	$232,075	$232,075	$6,392,048
18	2043	$–	$232,076	$232,076	$6,624,124
19	2044	$–	$232,076	$232,076	$6,856,200
20	2045	$–	$232,075	$232,075	$7,088,275
21	2046	$–	$232,076	$232,076	$7,320,351
22	2047	$–	$232,076	$232,076	$7,552,427
23	2048	$–	$232,075	$232,075	$7,784,502
24	2049	$–	$232,076	$232,076	$8,016,578
25	2050	$–	$232,076	$232,076	$8,248,654
26	2051	$–	$232,075	$232,075	$8,480,729
27	2052	$–	$232,076	$232,076	$8,712,805
28	2053	$–	$232,076	$232,076	$8,944,881
29	2054	$–	$232,075	$232,075	$9,176,956
30	2055	$–	$232,076	$232,076	$9,409,032

Part 15: Depreciation Schedules (6 of 8)

Combined — all classes (with the study) (Middle of the Road position)

Year	Calendar Year	Bonus	Regular	Total	Cumulative
31	2056	$–	$232,076	$232,076	$9,641,108
32	2057	$–	$232,075	$232,075	$9,873,183
33	2058	$–	$232,076	$232,076	$10,105,259
34	2059	$–	$232,076	$232,076	$10,337,335
35	2060	$–	$232,075	$232,075	$10,569,410
36	2061	$–	$232,076	$232,076	$10,801,486
37	2062	$–	$232,076	$232,076	$11,033,562
38	2063	$–	$232,075	$232,075	$11,265,637
39	2064	$–	$232,076	$232,076	$11,497,713
40	2065	$–	$106,534	$106,534	$11,604,247
Combined — all classes (with the study) total				**$11,604,247**	

Part 15: Depreciation Schedules (7 of 8)

Without a study — whole building straight-line, 39-year, mid-month

Year	Calendar Year	Bonus	Regular	Total	Cumulative
1	2026	$–	$161,415	$161,415	$161,415
2	2027	$–	$297,533	$297,533	$458,948
3	2028	$–	$297,533	$297,533	$756,481
4	2029	$–	$297,533	$297,533	$1,054,014
5	2030	$–	$297,533	$297,533	$1,351,547
6	2031	$–	$297,533	$297,533	$1,649,080
7	2032	$–	$297,532	$297,532	$1,946,612
8	2033	$–	$297,533	$297,533	$2,244,145
9	2034	$–	$297,533	$297,533	$2,541,678
10	2035	$–	$297,533	$297,533	$2,839,211
11	2036	$–	$297,533	$297,533	$3,136,744
12	2037	$–	$297,533	$297,533	$3,434,277
13	2038	$–	$297,533	$297,533	$3,731,810
14	2039	$–	$297,533	$297,533	$4,029,343
15	2040	$–	$297,533	$297,533	$4,326,876
16	2041	$–	$297,532	$297,532	$4,624,408
17	2042	$–	$297,533	$297,533	$4,921,941
18	2043	$–	$297,533	$297,533	$5,219,474
19	2044	$–	$297,533	$297,533	$5,517,007
20	2045	$–	$297,533	$297,533	$5,814,540
21	2046	$–	$297,533	$297,533	$6,112,073
22	2047	$–	$297,533	$297,533	$6,409,606
23	2048	$–	$297,533	$297,533	$6,707,139
24	2049	$–	$297,533	$297,533	$7,004,672
25	2050	$–	$297,533	$297,533	$7,302,205
26	2051	$–	$297,532	$297,532	$7,599,737
27	2052	$–	$297,533	$297,533	$7,897,270
28	2053	$–	$297,533	$297,533	$8,194,803
29	2054	$–	$297,533	$297,533	$8,492,336
30	2055	$–	$297,533	$297,533	$8,789,869

Part 15: Depreciation Schedules (8 of 8)

Without a study — whole building straight-line, 39-year, mid-month

Year	Calendar Year	Bonus	Regular	Total	Cumulative
31	2056	$–	$297,533	$297,533	$9,087,402
32	2057	$–	$297,533	$297,533	$9,384,935
33	2058	$–	$297,533	$297,533	$9,682,468
34	2059	$–	$297,533	$297,533	$9,980,001
35	2060	$–	$297,532	$297,532	$10,277,533
36	2061	$–	$297,533	$297,533	$10,575,066
37	2062	$–	$297,533	$297,533	$10,872,599
38	2063	$–	$297,533	$297,533	$11,170,132
39	2064	$–	$297,533	$297,533	$11,467,665
40	2065	$–	$136,582	$136,582	$11,604,247
Without a study — whole building straight-line, 39-year, mid-month total				**$11,604,247**	

Part 16: Photographs, Plans and Engineering Exhibits

No admissible site photographs were supplied for this property, so there is nothing to reproduce here. The list below is what would raise the evidentiary quality of the study.

Evidence Still Required

- No source documents were supplied; the study relies on the owner-provided inputs and the modeled schedule.
- No site photographs were supplied; no virtual site survey was performed.
- No plans or record drawings were supplied; building system quantities rest on the modeled shares until drawings or a field inventory are received.

Supplying these items lets the schedule move from a modeled allocation toward a documented one on the rows they cover.

Documentation Completeness Review

What a full engineering quality classification wants for this kind of property, and what is present here. 0 of 10 categories are documented, which is 0 percent of the weighted total.

Documentation category	Why it matters	Weight	Status
Site improvements photographed	Paving, curbs, sidewalks and drainage carry the 15 year land improvement analysis	3	Not available
Exterior building components documented	Establishes the shell and what is attached to it	3	Not available
Unit or suite interiors documented	Finishes, millwork and fixtures are where most 5 year property is found	3	Not available
Equipment and appliance inventory	Identifies the equipment that dedicated electrical and plumbing follow	3	Not available
Panel or load schedule	The only thing that splits a raceway line between dedicated and general	2	Not available
Plumbing fixture or equipment schedule	The same split for plumbing	2	Not available
Flooring documented	Carpet and removable flooring separate from the structural slab	2	Not available
Site plan or civil drawings	Quantities for paving, landscaping and site lighting	2	Not available
Security or low voltage documentation	Cameras, access control and data are specialty systems	1	Not available
Engineering measurements or take-off	Turns trade totals into per asset quantities	1	Not available

Completeness is weighted: a category that decides an asset level classification counts 3, one that supports it counts 2, one that corroborates it counts 1. The figure is computed from the rows above, not estimated.

Part 17: Legal Authority Appendix (1 of 4)

The authorities this study relies on, grouped in the order of the authority hierarchy (the Code, the regulations, Rev. Proc. 87-56, rulings and procedures, case law, then other published IRS guidance). Each asset row of Part 10 names the one that governs it; an authority marked verify before print is cited for reference only.

Tier	Authority	Applied To
1. Code	IRC §168(k); Treas. Reg. §1.168(k)-2 (additional first-year depreciation)	Part 15; Part 14 (Element 13)
1. Code	IRC §1245(a)(1)-(3) and §1245(b) (gain on the disposition of section 1245 property is ordinary income to the extent of the recomputed basis, which adds back all depreciation and amortization allowed or allowable, including the §168(k) allowance; exceptions for gifts, transfers at death and certain tax-free transfers)	Part 8 (Element 7); Part 14 (Element 13); Part 13 (Element 12)
1. Code	IRC §1250(a), (c) and (d); IRC §1(h)(1)(E) and §1(h)(6) (section 1250 property is depreciable real property other than section 1245 property; ordinary recapture is limited to additional depreciation, which is generally zero under straight-line MACRS; unrecaptured section 1250 gain is taxed at a maximum rate of 25 percent)	Part 8 (Element 7); Part 14 (Element 13); Part 13 (Element 12)
1. Code	IRC §263A(a), (b), (f) and (g); Treas. Reg. §1.263A-1(e)(3) and (e)(4); Treas. Reg. §1.263A-12 (uniform capitalization of the direct and allocable indirect costs of real or tangible personal property produced by the taxpayer, where produce includes construct, build, install and improve; interest paid or incurred during the production period is capitalized under §263A(f); property acquired and held for rental or use is not produced and is not subject to §263A)	Part 14 (Element 13); Part 12 (Element 11)
1. Code	IRC §179(d)(2) and (d)(3) (property is acquired by purchase only when it is not acquired from a person whose relationship would disallow losses under §267 or §707(b), not acquired from a component member of the same controlled group, and its basis is not determined by reference to the transferor's basis or under §1014(a); cost excludes basis determined by reference to other property held by the acquirer), applied to used property through IRC §168(k)(2)(E)(ii)	Part 14 (Element 13)
1. Code	IRC §110(a)-(d) (a qualified lessee construction allowance received under a short-term lease of retail space is excluded from the lessee's income and the improvement it funds is treated as nonresidential real property of the lessor; a short-term lease is 15 years or less under §168(i)(3))	Part 14 (Element 13)
1. Code	IRC §178(a) and (b) (in amortizing the cost of acquiring a lease, the term includes renewal options and any other period the parties reasonably expect the lease to be renewed if less than 75 percent of the cost is attributable to the remaining term)	Part 14 (Element 13)
2. Regulations	Treas. Reg. §1.48-1(e)(1)-(2) (building and structural components)	Part 10 (3 rows); Part 8 (Element 7); Part 14 (Element 13); Part 7 (Elements 5 and 6)

Part 17: Legal Authority Appendix (2 of 4)

Tier	Authority	Applied To
2. Regulations	Treas. Reg. §1.263(a)-3 (amounts paid to improve tangible property)	Part 14 (Element 13)
2. Regulations	Treas. Reg. §1.263(a)-2(f) (amounts paid to facilitate the acquisition of real or personal property are capitalized; inherently facilitative amounts under §1.263(a)-2(f)(2)(ii) include appraisal, title, permit, architectural, engineering, environmental and inspection services pertaining to particular properties)	Part 14 (Element 13)
2. Regulations	Treas. Reg. §1.168(k)-2(b)(3)(iii) (used property acquisition requirements: the taxpayer or a predecessor had no depreciable interest in the property within the five calendar years before the placed-in-service year, the acquisition is by purchase under §179(d)(2)(A)-(C), and the cost meets §179(d)(3); a lessee that acquires the leased property excludes its own improvements from bonus-eligible basis)	Part 14 (Element 13)
2. Regulations	Treas. Reg. §1.167(a)-4 (capital expenditures by a lessee or lessor for a building or other permanent improvements on leased property are recovered under §168 without regard to the period of the lease; see IRC §168(i)(8)(A))	Part 14 (Element 13)
2. Regulations	Treas. Reg. §1.168(i)-8 (dispositions of MACRS property, including the partial disposition of a reclassified component) [verify before print: cited for reference in Part 14 only]	Part 14 (Element 13)
3. Rev. Proc. 87-56	Rev. Proc. 87-56, 1987-2 C.B. 674, Asset Class 00.3 (Land Improvements) and Asset Class 57.0 (Distributive Trades and Services). Asset class 00.3 includes improvements directly to or added to land whether such improvements are section 1245 property or section 1250 property, so a row in class 00.3 states its own IRC character and is never labeled section 1245 mechanically.	Part 7 (Elements 5 and 6)
3. Rev. Proc. 87-56	Rev. Proc. 87-56, 1987-2 C.B. 674, Asset Class 00.11 (Office Furniture, Fixtures, and Equipment: furniture and fixtures that are not a structural component of a building, such as desks, files, safes and communications equipment): class life 10 years, 7-year GDS, 10-year ADS	Part 7 (Elements 5 and 6)
3. Rev. Proc. 87-56	Rev. Proc. 87-56, 1987-2 C.B. 674, Asset Class 00.12 (Information Systems: computers and their peripheral equipment used in administering normal business transactions and maintaining business records; excludes computers used primarily for process or production control and point of sale computer systems): class life 6 years, 5-year GDS, 5-year ADS	Part 7 (Elements 5 and 6)
3. Rev. Proc. 87-56	Rev. Proc. 87-56, 1987-2 C.B. 674, Asset Class 00.13 (Data Handling Equipment; except Computers: typewriters, calculators, adding and accounting machines, copiers and duplicating equipment): class life 6 years, 5-year GDS, 6-year ADS	Part 7 (Elements 5 and 6)

Part 17: Legal Authority Appendix (3 of 4)

Tier	Authority	Applied To
3. Rev. Proc. 87-56	Rev. Proc. 87-56, 1987-2 C.B. 674, Asset Class 00.3 (Land Improvements: improvements directly to or added to land, whether such improvements are section 1245 property or section 1250 property, provided such improvements are depreciable; excludes buildings and structural components as defined in Treas. Reg. §1.48-1(e)): class life 20 years, 15-year GDS, 20-year ADS, 150 percent declining balance	Part 10 (7 rows); Part 8 (Element 7); Part 7 (Elements 5 and 6)
3. Rev. Proc. 87-56	Rev. Proc. 87-56, 1987-2 C.B. 674, Asset Class 57.0 (Distributive Trades and Services: assets used in wholesale and retail trade and personal and professional services, including section 1245 assets used in marketing petroleum and petroleum products): class life 9 years, 5-year GDS, 9-year ADS	Part 10 (1 row); Part 7 (Elements 5 and 6)
3. Rev. Proc. 87-56	Rev. Proc. 87-56, 1987-2 C.B. 674, Asset Class 57.1 (Distributive Trades and Services: Billboard, Service Station Buildings, and Petroleum Marketing Land Improvements; includes section 1250 assets used in the marketing of petroleum and petroleum products, car wash buildings and related land improvements, and billboards, whether section 1245 property or section 1250 property; excludes all other land improvements, buildings and structural components as defined in Treas. Reg. §1.48-1(e)): class life 20 years, 15-year GDS, 20-year ADS, 150 percent declining balance	Part 8 (Element 7); Part 7 (Elements 5 and 6)
4. Rulings and procedures	Rev. Proc. 87-57 (MACRS percentage tables)	Part 15; Part 14 (Element 13)
4. Rulings and procedures	Rev. Rul. 90-38 (change in method of accounting, not amended returns)	Part 14 (Element 13)
4. Rulings and procedures	Rev. Proc. 2025-23 (automatic accounting method changes; DCN 7)	Part 14 (Element 13)
4. Rulings and procedures	Rev. Rul. 2002-9 (impact fees incurred in connection with the construction of a new residential rental building are capitalized under §263A as indirect costs allocable to the building, not to land)	Part 12 (Element 11)
4. Rulings and procedures	Rev. Proc. 2011-42, 2011-37 I.R.B. 318 (statistical sampling: a taxpayer may use only the sampling procedures of the revenue procedure; the least advantageous 95 percent one-sided confidence limit applies unless relative precision does not exceed 10 percent; samples that fail the criteria are rejected)	Part 14 (Element 13)
4. Rulings and procedures	Rev. Rul. 2003-81, 2003-2 C.B. 126 (an asset described in both a Rev. Proc. 87-56 asset category and an activity category is classified to the asset category unless it is specifically excluded from the asset category or specifically included in the activity category)	Part 8 (Element 7)

Part 17: Legal Authority Appendix (4 of 4)

Tier	Authority	Applied To
4. Rulings and procedures	Rev. Rul. 79-406, 1979-2 C.B. 18 (a car wash structure is a building despite the lack of exterior walls on two sides)	Part 8 (Element 7)
5. Case law	Hospital Corp. of America v. Commissioner, 109 T.C. 21 (1997)	Part 10 (3 rows); Part 8 (Element 7); Part 7 (Elements 5 and 6)
5. Case law	Whiteco Industries, Inc. v. Commissioner, 65 T.C. 664 (1975) (six permanence factors)	Part 8 (Element 7); Part 7 (Elements 5 and 6)
5. Case law	Norwest Corp. & Subs. v. Commissioner, 111 T.C. 105 (1998) (an asset described in a Rev. Proc. 87-56 asset category is classified there before any activity category)	Part 8 (Element 7)
6. IRS guidance	IRS Publication 946, How To Depreciate Property	Part 4 (Element 2); Part 14 (Element 13)
6. IRS guidance	IRS Cost Segregation Audit Techniques Guide (Publication 5653, rev. 2-6-2025)	ATG Quality Scorecard (Pub. 5653 Principal Elements); Part 8 (Element 7); Part 14 (Element 13); Part 12 (Element 11)
6. IRS guidance	CCA 201509029 (released Feb. 27, 2015) (asset class 57.1 also includes car wash buildings and related land improvements; a truck sales and service facility is 39-year nonresidential real property; a Chief Counsel Advice is not precedent and may not be cited as authority)	Part 8 (Element 7)
6. IRS guidance	IRS Cost Segregation Audit Techniques Guide (Publication 5653), Ch. 7.B, Retail Industry Exhibit A (pp. 172-183)	Part 10 (1 row); Part 8 (Element 7); Part 12 (Element 11)
6. IRS guidance	IRS Cost Segregation Audit Techniques Guide (Publication 5653), Ch. 8.B (pp. 336-347) (the Service's position that stand-alone, open-air parking structures are buildings with a 39-year recovery period; parking structures connected to a building are uncontested 39-year property; surface lots remain asset class 00.3)	Part 8 (Element 7)

Audit-Risk Gauge

0% SmartCostSeg's comparative band for this property type: 12.0% to 30.0%, midpoint 22.0% 40.0%

THIS STUDY (MIDDLE OF THE ROAD)	BAND MIDPOINT	GAUGE
22.0%	**22.0%**	**Within the band**

This study reclassifies 22.0% of the depreciable building basis out of the building's straight-line recovery period at the Middle of the Road position (Conservative 15.0%, Middle of the Road 22.0%, Aggressive 30.0% of building basis in the short-life classes). SmartCostSeg's comparative band for Distribution Center is 12% to 30% (midpoint 22%); the gauge reads GREEN. The gauge compares the reclassified share with SmartCostSeg's comparative band for this property type and with the type's own Conservative, Middle of the Road and Aggressive positions. The band is house judgment; it is not an IRS threshold, an industry percentile or a published median, and the IRS publishes no such figure. Estimates are ranges, never guarantees. Real-world studies on similar buildings have reclassified between 7% and 33% of basis — building-specific characteristics matter.

The gauge compares the share of basis this study reclassifies against SmartCostSeg's comparative band for the property type. It is a self-check, not a prediction of examination, and it is not a statement about the IRS or any IRS threshold.

ATG Quality Scorecard (Pub. 5653 Principal Elements)

IRS Publication 5653 (the Cost Segregation Audit Techniques Guide) describes 13 principal elements of a quality study. This scorecard states, element by element, what this study actually contains, with the status derived from the data in it. A Partial or Not performed mark is an honest description of scope, not a defect being hidden. The study is structured to address these published characteristics; the Service publishes no approval of any study format and none is claimed.

#	Principal element (Pub. 5653, verbatim)	Status	What this study contains
1	Preparation by an Individual with Expertise and Experience	PARTIAL	Partial: no preparer team rows have been entered; the reviewer named in the certification is Ashley Robinson. Roles, responsibilities and credential lines print only from owner entered rows and are never inferred.
2	Detailed Description of the Methodology	MET	Modeled residual method; the eleven step method of Part 4 states each step and what it rests on.
3	Use of Appropriate Documentation	PARTIAL	Partial: no documents were supplied; the list is empty rather than boilerplate and Part 16 lists what is still required.
4	Interviews Conducted with Appropriate Parties	PARTIAL	Partial, pending: no interview has been recorded; Part 6 lists the parties and what each interview would establish.
5	Use of a Common Nomenclature	MET	Building system prefixes and trade names for 7 systems; class reference with 10 Rev. Proc. 87-56 rows (Part 7).
6	Use of a Standard Numbering System	MET	Workpaper ids SYSTEM-nnn and two level class sub codes on all 15 rows, stable across the three positions (Part 7).
7	Explanation of the Legal Analysis	MET	12 analysis blocks: the §1.48-1(e) framework, the six Whiteco factors applied per building system, the ATG distinctions for the property group and the asset category first rule (Part 8).
8	Determination of Unit Costs and Engineering "Take-Off,"	PARTIAL	Partial: modeled shares of class pools, not a take-off; quantity prints TBD, pending field inventory and unit cost prints a dash on every modeled row (Part 9).
9	Organization of Assets into Lists or Groups	MET	15 rows organized by building system and class with class subtotals under every position (Part 10).
10	Reconciliation of Total Allocated Costs to Total Actual Costs	MET	Allocated $11,604,247 = depreciable basis $11,604,247 at every position; the waterfall ends at an unreconciled difference of $0 (Part 11).
11	Explanation of the Treatment of Indirect Costs	PARTIAL	Partial: the 38 categories print with their treatment and allocation rule, but no amounts have been supplied (Part 12).
12	Identification and Listing of § 1245 Property	MET	7 §1245 rows totalling $1,356,246 (11.7% of basis) listed separately with the recapture note (Part 13).
13	Consideration of Related Aspects (e.g., § 263A, Change in Accounting Method, and Sampling Techniques)	PARTIAL	Partial: 2 of the eight considerations are pending an owner answer (Part 14); 2 rows flagged for review.

Assumptions, Limiting Conditions and Certification

Assumptions and Limiting Conditions

- Building basis of $11,604,247 = purchase price $12,893,608 less land $1,289,361 (default allocation (10% of final construction cost)); the land value is the same under all three positions.
- Acquired 2026-01-15; placed in service 2026-06-01; Acquired and placed in service after January 19, 2025: 100% additional first-year depreciation, made permanent by OBBBA (IRC §168(k); Treas. Reg. §1.168(k)-2).
- Combined marginal tax rate of 37% is used for tax-savings figures; the actual rate depends on the taxpayer's return.
- The asset schedule is modeled from the Distribution Center component profile; the three positions reclassify 15.0%, 22.0% and 30.0% of building basis, and the Middle of the Road position is the one stated in the schedules, on Form 4562 and in the CSV. It is not an engineering take-off or an invoice-level cost record.
- Recovery periods and methods follow the MACRS percentage tables (Rev. Proc. 87-57); the half-year convention applies to personal property because 0% of that basis was placed in service in the fourth quarter.
- Every classification marked with an asterisk is preliminary and subject to documentation, ownership, use/function and acquisition verification; the interview memorandum and the documents schedule state what has and has not been verified.
- Estimates are ranges, never guarantees. Real-world studies on similar buildings have reclassified between 7% and 33% of basis — building-specific characteristics matter.

Certification

This study was prepared by SmartCostSeg's analysis system and reviewed by Ashley Robinson. The asset schedule is modeled residual method; where a row is marked "requires review", the classification should be confirmed against the property's actual construction before it is relied upon.

The reviewer has no present or contemplated interest in the property and no personal interest with respect to the parties involved. The fee for this study is not contingent on the depreciation reported or on any tax result.

The analysis relies on the inputs, documents and photographs listed in this study. It is not a tax return, an appraisal, a legal opinion or a guarantee of any tax outcome; implementation belongs to the taxpayer's CPA.

This study was prepared solely for Property Owner and its income tax return preparer, for use in preparing the federal income tax return and the depreciation records for the property described in Part 2. It is not to be relied on by lenders, buyers, insurers or any other third party, or reproduced except for that return, its examination or an appeal; the workpapers are held in confidence.

Reviewed by: ________________________ Ashley Robinson Date: _______________

Form 4562 Line Map

The rows below map this study onto Form 4562 for the placed-in-service year at the Middle of the Road position. The fixed-asset import file carries the same rows for the depreciation software, with the Conservative, Middle of the Road and Aggressive costs beside the stated one.

Line	Description	Amount
14	Special depreciation allowance for qualified property placed in service during the tax year *100% of $2,552,934 eligible basis at the Middle of the Road position.*	$2,552,934
19b	5-Year Personal Property (§1245) *Basis for depreciation $0 (cost $1,356,246 less bonus $1,356,246); 5-year; HY; 200DB; placed in service 2026-06-01.*	$–
19e	15-Year Land Improvements *Basis for depreciation $0 (cost $1,196,688 less bonus $1,196,688); 15-year; HY; 150DB; placed in service 2026-06-01.*	$–
19i	39-Year Nonresidential Real Property *Basis for depreciation $9,051,313 (cost $9,051,313 less bonus $0); 39-year; MM; SL; placed in service 2026-06-01.*	$125,904
17	MACRS deductions for assets placed in service in prior tax years *None — every asset in this study is placed in service in the current tax year.*	$–
22	Total depreciation (this study)	$2,678,838

The line map is a preparation aid. The return itself is prepared and signed by your CPA or tax preparer.

CPA Next Steps

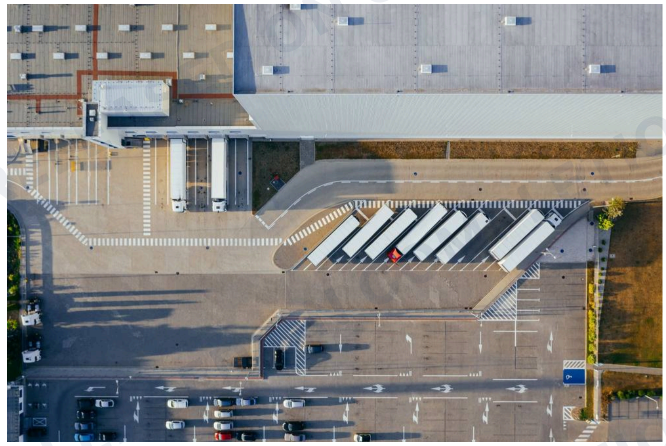
1. Enter the study on Form 4562 using the line map in this report (line 14 for the special depreciation allowance, the line 19 rows by class); the fixed-asset import CSV carries the same rows, with the Conservative, Middle of the Road and Aggressive costs beside the stated position.
2. No Form 3115 is needed: every asset is placed in service in 2026, the current tax year, so the study is applied on the original return.
3. Check state conformity: some states do not follow federal additional first-year depreciation and require an add-back with their own recovery schedule.
4. Confirm how the deductions are used: passive-activity limits, real-estate-professional status and the excess-business-loss rules govern whether the first-year deduction offsets other income or carries forward.
5. Plan for a future sale: accelerated depreciation is subject to recapture on disposition; the study changes the timing of deductions, not their total. Keep the §1245 schedule (Part 13) with the fixed asset register; it is the recapture map for a later disposition.
6. Consider whether an election out of additional first-year depreciation by property class fits the overall tax position for the year.
7. Load the fixed-asset import CSV into the depreciation software and reconcile its TOTAL row to the building basis before filing.
8. Resolve the related tax items Part 14 marks pending (the §168(k) used property screen, ground lease and tenant improvement ownership) before the return is filed; each can change the allowance or the owner of an asset.
9. Ask the owner to complete the interviews listed as Pending in Part 6, or record that none will be conducted; the preliminary rows in Part 10 keep their asterisk until ownership, function and cost are verified.

Appendix: Representative Photography

The photographs in this section are representative of the building type. They were not taken at the subject property, and they play no part in the evidence, the methodology or the scorecard. What was and was not supplied for this property is stated in the evidence exhibit.

RP-1 A single story distribution warehouse with a long dock wall and a paved truck court. Representative of the building type; not this property.

Photo: Peter Xie via Pexels (Pexels License).



RP-2 An aerial view of a logistics center with trailers at the dock doors and a wide truck yard. Representative of the building type; not this property.

Photo: Marcin Jozwiak via Pexels (Pexels License).

RP-3 A row of numbered loading dock bays with overhead doors along a warehouse wall. Representative of the building type; not this property.

Photo: Simeon Galabov via Pexels (Pexels License).

Contact

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This study was prepared by SmartCostSeg's analysis system and reviewed by Ashley Robinson. SmartCostSeg does not prepare tax returns and does not provide legal advice; the deductions this study supports depend on your specific tax situation and are applied on a return your preparer signs.

Reference LPCS-0EGKMD. Report SCS-LPCS-0EGKMD, version 1, issued September 1, 2026. Recovery classes shown throughout use the labels 5-Year Personal Property, 7-Year Personal Property, 15-Year Land Improvements and 39-Year Nonresidential Real Property.

Computed under law as of 2026-07, engine engine v0.1 (engine v0.1).