

Property Overview

- Purchase Price: \$2,400,000
- Land Allocation: \$432,000 (18% of purchase price, non-depreciable)
- Depreciable Basis: \$1,968,000 (Building & Improvements)
- Renovations: \$250,000 (potentially eligible for accelerated depreciation)
- Bonus Depreciation in 2024: 60% (per Tax Cuts and Jobs Act phase-out)

Depreciation Breakdown via Cost Segregation

Asset Category	% of Depreciable Basis	Amount Allocated	Depreciation Schedule
Building Structure	65%	\$1,279,200	39 Years
5-Year Property (Lighting, Signage, Electrical, etc.)	15%	\$295,200	5 Years
15-Year Property (Land Improvements - Parking, Paving, Fencing, Landscaping, etc.)	15%	\$295,200	15 Years
Other Miscellaneous Items	5%	\$98,400	7 Years

Accelerated Depreciation (Including Bonus in 2024)

Since bonus depreciation in 2024 is 60%, the office building benefits from significant upfront deductions.

Category	Amount	Bonus Depreciation (60%)	1st Year MACRS Deduction	Total 1st Year Deduction
5-Year Property	\$295,200	\$177,120	\$29,520	\$206,640
15-Year Property	\$295,200	\$177,120	\$9,840	\$186,960
7-Year Property	\$98,400	\$59,040	\$3,517	\$62,557
39-Year Building	\$1,279,200	N/A	\$32,800	\$32,800
Total First-Year Depreciation (2024)				\$488,957

Key Tax Benefits for Office Building Owners

1. Large First-Year Write-Off → Estimated \$488,957 depreciation deduction in 2024.
2. Bonus Depreciation Phase-Out → In 2025, bonus depreciation drops to 40%, making 2024 a strong year for tax benefits.
3. Accelerated Depreciation on Improvements → Land improvements (parking, paving, etc.) are written off over 15 years instead of 39 years.
4. Improved Cash Flow → Depreciation deductions help reduce taxable income, increasing available cash.