### Scenario:

- **Property Type:** Self-Storage Facility
- **Purchase Price:** $1,500,000 (excluding land)
- **Depreciation Method:** Standard 39-year vs. Cost Segregation

## Standard Depreciation (Straight-Line Over 39 Years):

- Without cost segregation, the entire $1,500,000 would be depreciated evenly over **39 years**, giving an annual depreciation of:
  $1,500,000 ÷ 39 = $38,460 per year

## Cost Segregation Breakdown (Accelerated Depreciation):

By performing a **cost segregation study**, components are reallocated to shorter depreciation lives:

| Asset Category | Allocation | Depreciation Period | Annual Depreciation |
|---|---|---|---|
| 39-Year (Building Structure) | $900,000 | 39 Years | $23,076 |
| 15-Year (Land Improvements - Pavement, Fencing) | $300,000 | 15 Years | $20,000 |
| 7-Year (Personal Property - HVAC, Security, Lighting) | $200,000 | 7 Years | $28,571 |
| 5-Year (Equipment - Computers, Office Fixtures) | $100,000 | 5 Years | $20,000 |
| **Total** | **$1,500,000** | **Varied** | **$91,647 (Yr 1-5)** |

## Results & Benefits:

- **In the first 5 years**, the owner can claim **$91,647 annually** instead of **$38,460** under the standard method.
- This significantly increases tax deductions, freeing up cash flow.
- With **bonus depreciation (100% for certain assets in Year 1, per tax laws)**, even more deductions may be available.