CostSegLogic
COST SEGREGATION. AUTOMATED.

● CPA-VERIFIED

COST SEGREGATION WORKPAPER · CPA-VERIFIED

Engineering-based component reclassification of *$1,360,000* in depreciable basis.

NEW CONSTRUCTION · SINGLE-FAMILY RESIDENCE · TY 2025

PREPARED FOR
Demo Holdings LLC

STUDY DATE
June 26, 2026

MODEL FINGERPRINT
v6 · 9f2e4a7c8b5d…

PROPERTY
White Plains, NY

PLACED IN SERVICE
May 20, 2025

STUDY TYPE
Residual Estimation Approach
ATG CHAPTER 4

● CPA-VERIFIED

Table of Contents

Read in order, or jump straight to a section. The five-minute read is §1 (Executive Summary). The CPA / examiner read is front to back. Methodology is §5; allocation detail is §8; year-by-year schedule is §9·D.

CPA-VERIFIED

§ 1 · COVER LETTER

JUNE 26, 2026

Demo Holdings LLC
White Plains, NY
New York

Subject: Cost Segregation Analysis for White Plains, NY

Dear Demo Holdings LLC,

This report contains a cost segregation study for the property located at **White Plains, NY**, placed in service on **May 20, 2025**. The study applies the *Residual Estimation Approach* recognized in the IRS Cost Segregation Audit Techniques Guide, Chapter 4, to identify building components eligible for shorter MACRS recovery periods than the default 27.5-year residential rental treatment.

Cost segregation is an established tax planning methodology recognized by the Internal Revenue Service. By reclassifying components of a building into the appropriate Modified Accelerated Cost Recovery System (MACRS) asset classes — 5-year personal property, 15-year land improvements, and Section 179 immediately expensed property — the owner optimizes capital recovery through structural reclassification, materially increasing first-year deductions.

For the residential rental properties this platform is designed to serve, the methodology applied here meets the documentation standards of the IRS Audit Techniques Guide and is suitable for the depreciation positions claimed. We recommend reviewing this report with your certified public accountant or tax preparer before filing.

Sincerely,

CostSegLogic
COSTSEGLOGIC.COM

§ 2 CostSegLogic Certification

METHODOLOGY · AUTHORITIES · COMPENSATION

The CostSegLogic engine certifies the following with respect to the methodology, data, and compensation arrangement underlying this study. Each point is structured to permit the taxpayer's preparer or, in the case of an examination, an Internal Revenue Service examiner, to audit the structural posture of the work product before consuming the dollar conclusions that follow.

01 **Methodology.**

The methodology applied in this study conforms to the IRS Cost Segregation Audit Techniques Guide (Chapter 4), specifically the *Residual Estimation Approach* combined with *Cost Estimation Using Industry Databases* — both methodologies explicitly recognized as acceptable approaches in that guide.

02 **Asset Classification Authorities.**

Asset classification rules applied in this study are sourced from Internal Revenue Code §168, Rev. Proc. 87-56 (1987-2 C.B. 674), and Treas. Reg. §1.167(a)-11. Class lives, recovery periods, and depreciation conventions are taken directly from those authorities; no extrapolation has been performed.

03 **Cost Library Calibration.**

The component cost library that underlies the within-class allocation percentages is calibrated against industry-standard cost-estimation references, including RSMeans methodology and the Marshall Valuation Service approach. The library is reviewed periodically against published cost data; the version in effect at the time of this study is recorded in the model_version footer of every page.

04 **Compensation.**

Compensation for the production of this study is fixed at the published tier price in effect at the time of intake. It is **not** contingent on the findings of the study, on the dollar amount of any deduction claimed, or on any other action by any party with respect to the study's conclusions.

05 **Data Provenance.**

The property data underlying this study — address, year built, square footage, basis, placed-in-service date, feature presence flags, and similar attributes — was certified by the taxpayer at the time of intake. The engine does not independently verify taxpayer-provided inputs; the integrity of the analysis depends on the accuracy of those inputs. See the Representations section.

06 **Consistency and Lack of Bias.**

The analysis applies the same set of classification rules, the same component library, and the same MACRS schedules to every property of the same archetype. The engine has no incentive to find any particular allocation outcome; the rules are applied identically whether the resulting Y1 deduction is large or small.

07 **Workpaper Retention.**

This study and the supporting workpapers should be retained by the taxpayer to substantiate the depreciation deductions claimed. Per IRC §6001 and Treas. Reg. §1.6001-1, taxpayers must keep records sufficient to establish the amount of any deduction shown on a return, generally for at least three years after the later of the return's due date or filing date and for the entire recovery period of any depreciable asset.

— COSTSEGLOGIC

● CPA-VERIFIED

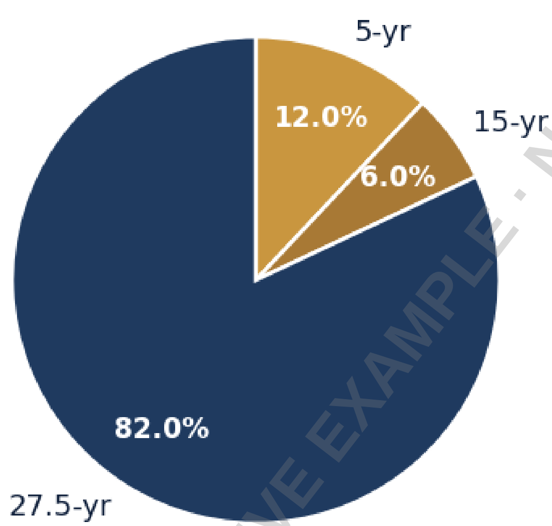
§ 3 Executive Summary

FIVE-MINUTE READ

Property Overview

PROPERTY ADDRESS	White Plains, NY New York	PROPERTY TYPE	Single-Family Residence
PLACED IN SERVICE	May 20, 2025	DEPRECIABLE BUILDING BASIS	$1,360,000
STUDY TYPE	Residual Estimation Approach ATG CHAPTER 4	SCENARIO	New Construction

Allocation by MACRS Class



Headline split of the customer's depreciable building basis by MACRS class. The per-component breakdown lives in §8·B; the §168(k) bonus + §179 stacking is detailed in §9·C.

Audit-Defensibility Profile

GREEN **Strong audit-defensibility profile.** Methodology, asset classification, and citations conform to the IRS Cost Segregation Audit Techniques Guide; data inputs are taxpayer-certified; no engineered site inspection in scope.

The pages that follow itemize the reclassification (§3.2), the federal Y1 tax shield (§3.3), and the methodology and authorities supporting both (§5). Customers seeking the per-component allocation table jump to §8·B.

● CPA-VERIFIED

3.2 Reclassification Summary

ASSET CLASS	AMOUNT	% OF BASIS
5-Year Personal Property	$163,200	12.0%
15-Year Land Improvements	$81,600	6.0%
§179 Immediate Expense (Income-Limited)	$0	0.0%
27.5-Year Residential Rental	$1,115,200	82.0%
Total Depreciable Basis	$1,360,000	100.0%

3.3 Tax Impact Summary

BONUS RATE · §168(K)	Y1 — WITHOUT COST SEG	Y1 — WITH COST SEG
100.0%	$30,909	$270,145
OBBBA §168(K) · PIS MAY 20, 2025	SL · 27.5-YR · MID-MONTH	+$239,236 INCREMENTAL

Incremental Year-1 deduction of $239,236 is the difference between the with-cost-seg deduction and the straight-line baseline. It is a timing benefit; the cumulative deduction over the 28-year recovery period is identical to the without-cost-seg path.

● CPA-VERIFIED

3.4 Estimated Tax Savings

METRIC	VALUE
Federal marginal rate assumed	37.0%
State marginal rate assumed (New York)	10.9%
Federal Y1 tax shield	$99,954
State Y1 tax shield	$6,765
Total estimated Year-1 tax benefit	$106,719

YEAR-1 FEDERAL TAX SHIELD

$99,954

$270,145 Y1 DEDUCTION × 37.0% FED MARGINAL RATE

NEW YORK CONFORMITY

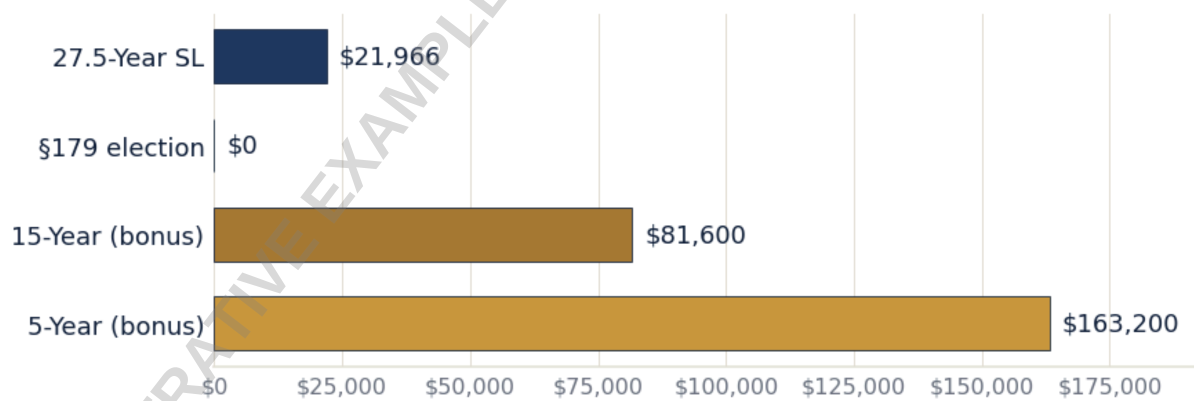
DECOUPLED (NOT ALLOWED)

SEE §11 STATE CONFORMITY

Y1 DEDUCTION

$270,145

3.5 Year-1 Deduction by Asset Class



STATE RATE METHODOLOGY

State marginal rate uses the state's top individual bracket as the default, multiplied by the state's §168(k) recognition factor (full / partial / decoupled). Actual state benefit depends on the taxpayer's effective state bracket and filing posture — see State Conformity section (§11).

§ 4 Scope & Limitations

WHAT THIS STUDY DOES AND DOES NOT COVER

STUDY TYPE

This is a cost segregation study applying the *Residual Estimation Approach* (ATG Chapter 4). Component cost estimates are derived from a curated industry-standard cost database, calibrated to the property's archetype.

DATA SOURCES

No taxpayer-provided source documents were referenced in this analysis. Industry-standard defaults were applied per the methodology described above. The full list of supporting documents that may be supplied to strengthen audit-defense posture is described later in *Taxpayer-Provided Evidence Registry*.

LIMITATIONS

- **Methodology framing.** Component classification and quantification follow ATG-recognized industry-database methods. A licensed engineer or construction professional was not engaged to physically verify components or measure square footage on site.
- **Reliance on taxpayer-certified data.** Property characteristics (square footage, year built, beds/baths, features) are taxpayer-certified inputs ingested by the modeling engine. The taxpayer represents that this data is accurate and complete (see Representations).
- **Standardized allocation where itemization is unavailable.** Where specific construction invoices or component-level cost detail is not provided, the engine applies within-class allocation percentages from a curated industry-standard cost-segregation database, documented in the Methodology section.
- **Tax-law currency.** Bonus depreciation rates and §179 caps in this analysis reflect federal law as of the report date. Future legislative changes may affect the deductions claimed in subsequent tax years.
- **Scope.** This study addresses the federal income tax treatment of the building components and includes state §168(k) conformity treatment. Other tax considerations (passive activity loss, at-risk, basis, real estate professional status) are out of scope and should be evaluated by the taxpayer's tax advisor.

§ 5 Methodology

APPROACH · PROCESS · STANDARDS

APPROACH USED · THREE CONVERGING METHODOLOGIES

- **Residual Estimation Approach (ATG Chapter 4).** After identifying short-life personal property and 15-year land improvements through standardized cost estimation, the remaining depreciable basis is allocated to the building shell and structural interiors as the 27.5-year residual property. This methodology is explicitly recognized in the IRS Cost Segregation ATG and is the standard approach for cost segregation studies that do not include an on-site engineering inspection.
- **Cost Estimation Using Industry Databases (ATG Chapter 4).** Component-level allocation percentages within each MACRS class are derived from a curated industry-standard cost-segregation database, calibrated to residential-rental property archetypes. The ATG explicitly endorses this approach as one of the recognized cost segregation methodologies.
- **Full IRS Audit Techniques Guide compliance.** Methodology, documentation, asset class assignments, and citations follow the documentation standards recommended by the IRS Cost Segregation Audit Techniques Guide. Each component class life is supported by Rev. Proc. 87-56 asset class codes, with established Tax Court precedent for boundary classifications (IRS-blessed framework since 1997).

PROCESS OVERVIEW · FOUR STEPS FROM ACQUISITION TO SCHEDULE

1. **Determine total depreciable basis.** Acquisition cost less land value, plus capitalized closing costs and improvements (per the customer's inputs).
2. **Remove land value.** Land is non-depreciable. The land/building split is per the customer's allocation (typically the appraisal or county assessor's ratio).
3. **Identify short-life assets** using actual cost detail where available, modeled allocations from the component library where not. Each component is assigned an asset class (5-year, 15-year, §179, or 27.5-year) per Rev. Proc. 87-56.
4. **Assign MACRS class lives** and compute depreciation under the appropriate convention: Half-Year for 5/15-year property (200%/150% Declining Balance), Mid-Month for 27.5-year residential rental (Straight-Line). §168(k) bonus depreciation is applied to qualifying property at the rate in effect at the placed-in-service date.

STANDARDS REFERENCED · IRS AUTHORITIES APPLIED THROUGHOUT

- **IRS Cost Segregation Audit Techniques Guide** — Methodology framework and documentation standards.
- **Rev. Proc. 87-56** — Asset class life table; the basis for all MACRS class life assignments in this report.
- **IRS Publication 946** (How to Depreciate Property) — MACRS rate tables (Tables A-1 and A-6) used for year-by-year depreciation calculations.
- **§168(k) of the Internal Revenue Code** — Bonus depreciation treatment. As amended by the One Big Beautiful Bill Act (OBBBA, signed July 4, 2025), property both acquired and placed in service after January 19, 2025 qualifies for permanent 100% first-year bonus depreciation. Property failing the OBBBA acquired+PIS test remains on the TCJA phase-down schedule.

- **§179 of the Internal Revenue Code** — Immediate-expense election thresholds and active-trade-or-business limitation.
- **§263A of the Internal Revenue Code** — Uniform capitalization rules considered in determining basis for cost segregation.

DOCTRINAL FOUNDATION · §1245 / §1250 DISTINCTION

The §1245 / §1250 distinction at the core of every cost segregation study is grounded in a well-developed line of Tax Court precedent that has shaped the IRS's acceptance of the discipline. The framework applied in this report reflects four doctrinal pillars that the courts and the IRS have endorsed since 1997:

- **Functional-use principle.** A component whose function is tied to the operation of equipment within the building (rather than to the building's structural shell) may be separately depreciated. Affixation alone does not require §1250 treatment.
- **Six-factor personal-property test.** Distinguishing tangible personal property from structural components turns on movability in fact, design intent to be moved, damage on removal, manner and permanence of affixation, intended duration of placement, and manner of removal in practice.
- **Business-function support.** Decorative and merchandising-related components — signage, millwork, certain lighting, ceiling and wall finishes — can retain their identity as personal property where their function supports the trade or business activity rather than the building structure itself.
- **Special-purpose systems.** Electrical, plumbing, and HVAC systems installed solely to support specific equipment can be classified as tangible personal property even where physically integrated with the building, when their useful life and removal characteristics align with the equipment they serve.

> AUDIT-DEFENSIBLE SINCE 1997
>
> Cost segregation has been an IRS-blessed methodology since the Tax Court line of decisions in the late 1990s. The IRS's Cost Segregation Audit Techniques Guide formalizes acceptance and prescribes the documentation standards followed throughout this report. Specific case citations are consolidated in the FAQ appendix for taxpayers or examiners who wish to trace the doctrinal lineage directly.

● CPA-VERIFIED

§ 6 MACRS Asset Class Summary

RECOVERY · METHOD · CONVENTION · CLASS CODE

The table below summarizes every MACRS asset class used in this study. Each row shows the class's recovery period, depreciation method, applicable convention, eligibility for §168(k) bonus depreciation, eligibility for §179 immediate expensing, the IRS class code per Rev. Proc. 87-56, and the controlling authority. Per-component allocation appears in §8 Detailed Cost Allocation; per-class year-by-year depreciation schedules appear in §9.

CLASS	RECOVERY	METHOD	CONVENTION	BONUS	§179	IRS CLASS
5-Year Personal Property	5 yr	200% DB	Half-Year	Yes	Yes	57.0
15-Year Land Improvements	15 yr	150% DB	Half-Year	Yes	No	00.3
§179 Immediate Expense	Y1	n/a	n/a	No	—	N/A
27.5-Year Residential Rental	27.5 yr	SL	Mid-Month	No	No	45.0

CONTROLLING AUTHORITIES

5-Year Personal Property: §168(e)(3)(B) — property with class life of 4 to less than 10 years per Rev. Proc. 87-56 (asset class 57.0, Distributive Trades & Services, covers residential-lodging tangible personal property and applies to qualifying components of a residential rental property).

15-Year Land Improvements: §168(e)(3)(E)(iv) — land improvements (excluding buildings and structural components) per Rev. Proc. 87-56 asset class 00.3.

§179 Immediate Expense: §179(a) of the Internal Revenue Code — election to expense up to the §179 cap in the year of placement, subject to the active-trade-or-business income limitation.

27.5-Year Residential Rental: §168(c) — applicable recovery period for residential rental property; Pub. 946 Table A-6 mid-month convention.

● CPA-VERIFIED

§ 7 Property Details

GENERAL INFORMATION & BASIS

7·A General Information

ADDRESS	White Plains, NY	STATE	New York
PROPERTY TYPE	Single-Family Residence	YEAR BUILT / RENOVATED	2025
BUILDING SQUARE FOOTAGE	3,200 sqft	PLACED IN SERVICE	May 20, 2025
BEDROOMS / BATHROOMS	5 / 4.0	CONSTRUCTION TYPE	New construction (not renovation)

7·B Purchase Price Allocation

COMPONENT	AMOUNT
Hard construction cost (taxpayer-certified)	$1,100,000
Soft cost — design, permits, fees (taxpayer-certified)	$260,000
Total acquisition basis	$1,360,000
Less: Land allocation	–
Allocable building basis (depreciable)	**$1,360,000**

ALLOCABLE BUILDING BASIS

$1,360,000

DEPRECIABLE BASIS · BUILDING PORTION · LAND EXCLUDED

LAND ALLOCATION

–%

NEW CONSTRUCTION (NOT RENOVATION)

TAX YEAR

2025

● CPA-VERIFIED

§ 8 Detailed Cost Allocation

HEADLINE VIEW

8·A High-Level Allocation

Summary view grouping the four MACRS classes into three high-level categories — Personal Property, Land Improvements, and Building. This is the headline allocation customers and CPAs see first.

CATEGORY	AMOUNT	% OF BASIS
Personal Property (5-Year, including §179)	$163,200	12.0%
Land Improvements (15-Year)	$81,600	6.0%
Building (27.5-Year Residential)	$1,115,200	82.0%
Total Depreciable Basis	$1,360,000	100.0%

Per-component breakdown of each category appears in §8·B. The high-level allocation is reconciled to the line-item table at the bottom of §8·B. Section 3.2 and this table use the same single depreciable-basis anchor ($1,360,000), with the §179 election broken out as its own line under the Personal Property heading. See §6 for class definitions and Rev. Proc. 87-56 class codes.

● CPA-VERIFIED

8·B Consolidated Allocation Table

System-level breakdown grouped into consolidation buckets by MACRS class. Each row shows a building system or component group, the *source* of the dollar amount, the allocated cost, recovery period, depreciation method, and IRS class code per Rev. Proc. 87-56. **Taxpayer-Provided Actual** rows roll up the exact amounts the taxpayer entered; **Modeled — Archetype Library** rows are residual class basis the taxpayer did not itemize, allocated via the within-class cost-segregation library. Building systems (HVAC, electrical, plumbing) eligible for both §179 election and 27.5-year recovery are split onto separate lines so each carries its own discrete basis for partial-asset disposition under Treas. Reg. §1.168(i)-8.

SYSTEM / COMPONENT GROUP	SOURCE	ALLOCATED $	RECV.	BONUS	METHOD	CLASS
5-YEAR						
Kitchen Cabinetry & Millwork	MODELED — ARCHETYPE LIBRARY	$73,929.60	5 yr	100% Y1	200% DB	57.0
Removable Flooring	MODELED — ARCHETYPE LIBRARY	$32,313.60	5 yr	100% Y1	200% DB	57.0
Specialty Plumbing Fixtures	MODELED — ARCHETYPE LIBRARY	$12,729.60	5 yr	100% Y1	200% DB	57.0
Living & Dining Furniture	MODELED — ARCHETYPE LIBRARY	$12,240	5 yr	100% Y1	200% DB	57.0
Major Appliances Package	MODELED — ARCHETYPE LIBRARY	$9,628.80	5 yr	100% Y1	200% DB	57.0
Appliance Wiring	MODELED — ARCHETYPE LIBRARY	$9,139.20	5 yr	100% Y1	200% DB	57.0
Window Treatments	MODELED — ARCHETYPE LIBRARY	$5,548.80	5 yr	100% Y1	200% DB	57.0
Decorative Lighting & Fans	MODELED — ARCHETYPE LIBRARY	$4,406.40	5 yr	100% Y1	200% DB	57.0
Audio/Visual & Smart Home	MODELED — ARCHETYPE LIBRARY	$3,264	5 yr	100% Y1	200% DB	57.0
5-Year Subtotal		**$163,200**				
15-YEAR						
Landscaping & Irrigation	MODELED — ARCHETYPE LIBRARY	$28,560	15 yr	100% Y1	150% DB	00.3
Hardscape Paving & Driveways	MODELED — ARCHETYPE LIBRARY	$24,480	15 yr	100% Y1	150% DB	00.3
Outdoor Structures (2 items)	MODELED — ARCHETYPE LIBRARY	$16,320	15 yr	100% Y1	150% DB	00.3
Fencing & Retaining Walls	MODELED — ARCHETYPE LIBRARY	$12,240	15 yr	100% Y1	150% DB	00.3

CONTINUED OVERLEAF — remaining systems, per-class subtotals, and the table total appear on the next page.

● CPA-VERIFIED

§ 8·B Consolidated Allocation Table CONTINUED

SYSTEM / COMPONENT GROUP	SOURCE	ALLOCATED $	RECV.	BONUS	METHOD	CLASS
15-Year Subtotal		$81,600				
27.5-YEAR						
Interior Partitions & Ceilings	MODELED — ARCHETYPE LIBRARY	$368,016	27.5 yr	—	SL	45.0
Building Shell & Foundation	MODELED — ARCHETYPE LIBRARY	$256,496	27.5 yr	—	SL	45.0
Roof Replacement (2 items)	MODELED — ARCHETYPE LIBRARY	$139,400	27.5 yr	—	SL	45.0
Other Permanent Flooring	MODELED — ARCHETYPE LIBRARY	$105,944	27.5 yr	—	SL	45.0
Electrical System	MODELED — ARCHETYPE LIBRARY	$80,294.40	27.5 yr	—	SL	45.0
Plumbing — Bathroom Fixtures	MODELED — ARCHETYPE LIBRARY	$44,608	27.5 yr	—	SL	45.0
Windows	MODELED — ARCHETYPE LIBRARY	$33,456	27.5 yr	—	SL	45.0
Doors	MODELED — ARCHETYPE LIBRARY	$27,880	27.5 yr	—	SL	45.0
Plumbing — Water & Waste Utility	MODELED — ARCHETYPE LIBRARY	$15,612.80	27.5 yr	—	SL	45.0
Permanent Lighting	MODELED — ARCHETYPE LIBRARY	$15,612.80	27.5 yr	—	SL	45.0
Bathroom Vanities	MODELED — ARCHETYPE LIBRARY	$13,382.40	27.5 yr	—	SL	45.0
HVAC System	MODELED — ARCHETYPE LIBRARY	$12,267.20	27.5 yr	—	SL	45.0
Fire Protection	MODELED — ARCHETYPE LIBRARY	$2,230.40	27.5 yr	—	SL	45.0
27.5-Year Subtotal		$1,115,200				

CONTINUED OVERLEAF — remaining systems, per-class subtotals, and the table total appear on the next page.

PAGE 15 OF 49

§ 8·B Consolidated Allocation Table CONTINUED

SYSTEM / COMPONENT GROUP	SOURCE	ALLOCATED $	RECV.	BONUS	METHOD	CLASS
Total Depreciable Basis — All MACRS Classes		$1,360,000				

SOURCES. *Taxpayer-Provided Actual* — the bucket rolls up exact amounts the taxpayer entered (1:1 pass-through, no archetype scaling). *Modeled — Archetype Library* — residual class basis not itemized by the taxpayer, allocated via the within-class cost-segregation library (ATG Ch. 4 method).
COLOR BAND on leftmost column: ▮ gold-bright = 5-Year, ▮ warm gold = 15-Year, ▮ light blue = §179, ▮ navy = 27.5-Year.

PAGE 16 OF 49

● CPA-VERIFIED

8·C Component Allocation Grid by MACRS Class

Visual decomposition of every line in §8·B grouped by recovery period. Each pane lists components, sorted by allocated cost, with per-class total and share of total basis.

5-YEAR · 200% DB

$163,200

12.0% OF BASIS

Kitchen Cabinetry & Millwork	$73,929.60
Removable Flooring	$32,313.60
Specialty Plumbing Fixtures	$12,729.60
Living & Dining Furniture	$12,240
Major Appliances Package	$9,628.80
Appliance Wiring	$9,139.20
Window Treatments	$5,548.80
Decorative Lighting & Fans	$4,406.40
Audio/Visual & Smart Home	$3,264

15-YEAR · 150% DB

$81,600

6.0% OF BASIS

Landscaping & Irrigation	$28,560
Hardscape Paving & Driveways	$24,480
Outdoor Structures	$16,320
Fencing & Retaining Walls	$12,240

§179 · IMMEDIATE

$0

0.0% OF BASIS · 1 ELECTION

§179 Election Pool	$0

QUALIFYING PERSONAL PROPERTY EXPENSED IN Y1; SUBJECT TO ACTIVE-T-O-B INCOME LIMIT. STATE CAP Same as federal.

27.5-YR · SL · MID-MO.

$1,115,200

82.0% OF BASIS

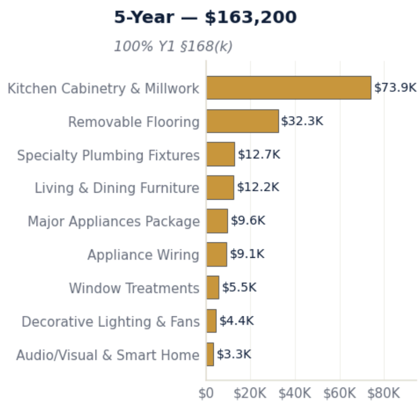
Interior Partitions & Ceilings	$368,016
Building Shell & Foundation	$256,496
Roof Replacement	$139,400
Other Permanent Flooring	$105,944
Electrical System	$80,294.40
Plumbing — Bathroom Fixtures	$44,608
Windows	$33,456
Doors	$27,880
Plumbing — Water & Waste Utility	$15,612.80
Permanent Lighting	$15,612.80
Bathroom Vanities	$13,382.40
HVAC System	$12,267.20

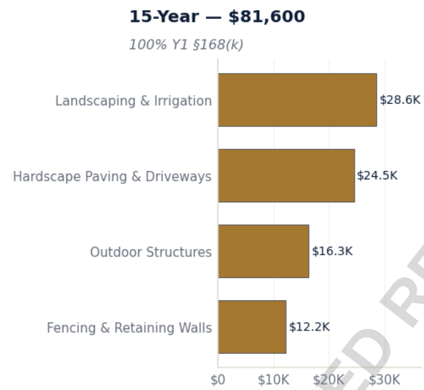
+ 1 more (see §8·B)

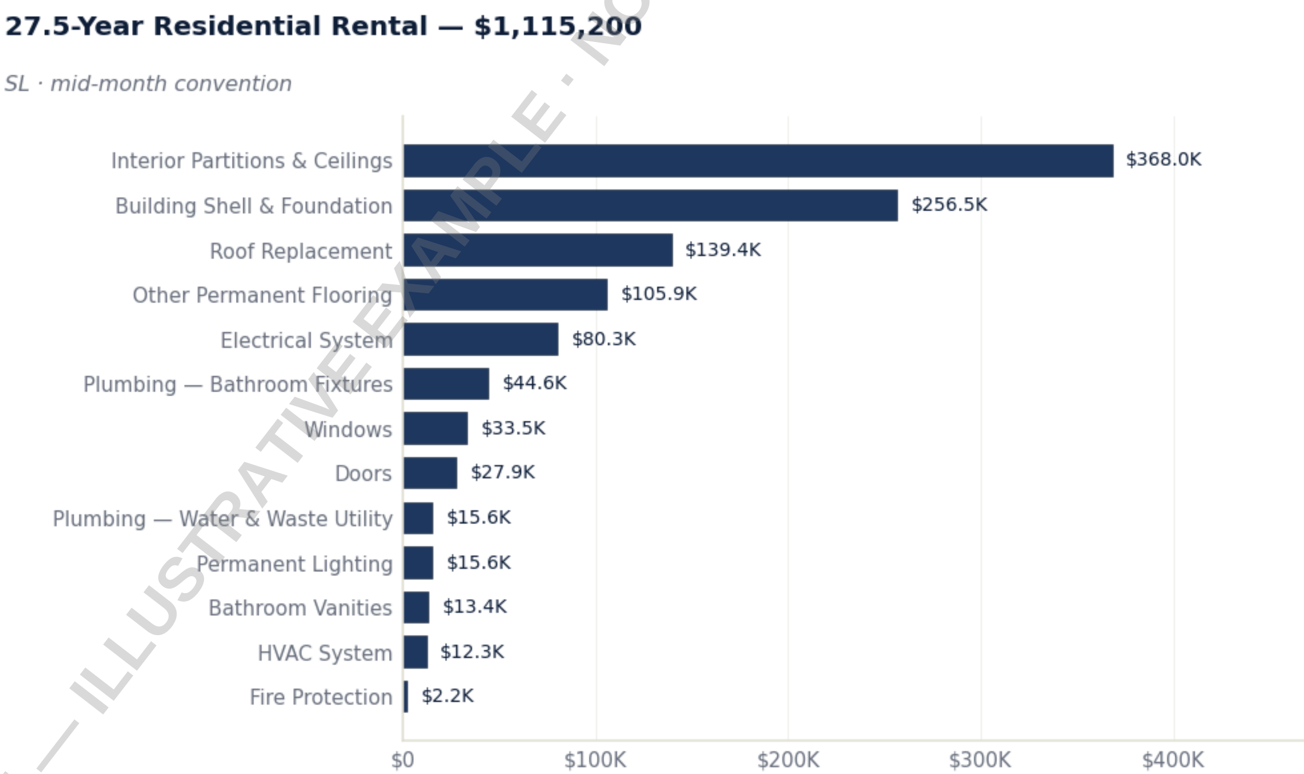
5-YEAR SHARE	15-YEAR SHARE	§179 SHARE	27.5-YEAR SHARE
12.0%	6.0%	0.0%	82.0%

8·C·2 Component Allocation Charts

Each chart shows the per-component allocation within a single MACRS class for this property. Bar lengths are proportional to allocated cost; labels show the line-item amounts. Class titles carry the class basis and depreciation treatment.







● CPA-VERIFIED

8·D Top 10 Components by Allocated Cost

Sorted descending. Bar length is proportional to allocated cost; bar color denotes MACRS class. The top 10 components account for $1,163,018 (85.5%) of total depreciable basis.

01	Interior Partitions & Ceilings	$368,016	27.5
02	Building Shell & Foundation	$256,496	27.5
03	Roof Replacement	$139,400	27.5
04	Other Permanent Flooring	$105,944	27.5
05	Electrical System	$80,294.40	27.5
06	Kitchen Cabinetry & Millwork	$73,929.60	5
07	Plumbing — Bathroom Fixtures	$44,608	27.5
08	Windows	$33,456	27.5
09	Removable Flooring	$32,313.60	5
10	Landscaping & Irrigation	$28,560	15

TOP-10 SHARE OF BASIS

$1,163,018

85.5% OF $1,360,000 TOTAL

TOP-10 SHORT-LIFE SHARE

$134,803

5/15-YR + §179 IN TOP 10

■ 5-Year ■ 15-Year ■ §179 ■ 27.5-Year

8·E Building Systems Allocation (TD 9636)

The Tangible Property Final Regulations — promulgated as **Treasury Decision 9636 (Sept. 17, 2013)** — require a building owner to perform unit-of-property analysis at the building-system level when evaluating future capital expenditures against the "repair" standard of Treas. Reg. §1.263(a)-3. The same regulations specify the nine systems used for that analysis at §1.263(a)-3(e)(2)(ii):

- HVAC system
- Plumbing system
- Electrical system
- Escalators
- Elevators
- Fire-protection & alarm
- Security system
- Gas distribution system
- Other structural components

Recharacterizing the property's depreciable basis through these systems serves two future tax positions: (i) it supports capital-vs-expense determinations on subsequent maintenance work by establishing the unit of property each replacement is being measured against, and (ii) it creates the documentation needed to claim a partial-asset-disposition deduction under Treas. Reg. §1.168(i)-8 when an individual component is later replaced. Without a per-system allocation, the taxpayer would typically forfeit the loss on the disposed component's remaining basis.

TD 9636 SYSTEM	DEPRECIABLE COST	% OF BUILDING COST
HVAC	$9,792	0.7%
Plumbing	$64,192	4.7%
Electrical	$108,256	8.0%
Fire Protection & Alarm	$1,768	0.1%
Security	$0	—
Other / Structural	$1,175,992	86.5%
Total Allocated Basis	$1,360,000	100.0%

NOT APPLICABLE TO RESIDENTIAL RENTAL

Escalators, Elevators, and Gas Distribution systems are not applicable to this property archetype and are intentionally omitted. Commercial property archetypes are not in scope for residential v1. Cost columns reflect depreciable allocation only; a "replacement cost" column is intentionally omitted.

● CPA-VERIFIED

USE OF THIS ALLOCATION

When the taxpayer later replaces a component within one of these systems — for example, replacing the HVAC condenser, re-roofing, or repaving a parking pad — this allocation is the basis for two filing-time determinations:

CAPITAL VS EXPENSE

Under *Treas. Reg. §1.263(a)-3*, an expenditure is capitalized if it (i) results in a betterment, (ii) restores the unit of property, or (iii) adapts the property to a new or different use. The unit-of-property test is applied at the system level, not at the whole-building level. A new HVAC condenser replacing the old one is evaluated against the HVAC system; a new roof against the building structure; new exterior lighting against the electrical system. **This allocation makes those tests possible.**

PARTIAL-ASSET DISPOSITION

Under *Treas. Reg. §1.168(i)-8*, the taxpayer may make an election to claim a deductible loss on the un-depreciated basis of the disposed component (for example, the old roof that was torn off). **Without a documented per-system or per-component basis, the disposition election is generally not available** because the disposed component's adjusted basis cannot be determined.

> *The §1.168(i)-8 partial-disposition election routinely converts what would otherwise be sunk capital into a current-year ordinary deduction — but only where the per-component basis exists in the workpapers.*
>
> — TREAS. REG. §1.168(I)-8 · TD 9689 (2014)

● CPA-VERIFIED

§ 9 Depreciation Schedules

10-YEAR SIDE-BY-SIDE

Side-by-side comparison of the first 10 years of depreciation under straight-line 27.5-year residential rental (without cost segregation) versus cost segregation. The incremental benefit accumulates in the early years and narrows in later years as cost segregation front-loads the deductions that would otherwise be spread across 27.5 years.

A · WITHOUT COST SEGREGATION

YEAR	DEPRECIATION
Year 1	$30,909
Year 2	$49,455
Year 3	$49,455
Year 4	$49,455
Year 5	$49,455
Year 6	$49,455
Year 7	$49,455
Year 8	$49,455
Year 9	$49,455
Year 10	$49,455
Total (10-year)	$476,004

B · WITH COST SEGREGATION

YEAR	DEPRECIATION
Year 1	$270,145
Year 2	$40,553
Year 3	$40,553
Year 4	$40,553
Year 5	$40,553
Year 6	$40,553
Year 7	$40,553
Year 8	$40,553
Year 9	$40,553
Year 10	$40,553
Total (10-year)	$635,120

Year 1 with-cost-seg figure of **$270,145** includes $244,800 of §168(k) bonus depreciation on 5-Year and 15-Year property and the remaining first-year MACRS amounts on each class. Years 2–10 reflect remaining 27.5-Year SL depreciation only — short-life classes have already been fully recovered through bonus.

● CPA-VERIFIED

C · INCREMENTAL BENEFIT

YEAR	ADDITIONAL DEPRECIATION
Year 1	$239,236
Year 2	$-8,902
Year 3	$-8,902
Year 4	$-8,902
Year 5	$-8,902
Year 6	$-8,902
Year 7	$-8,902
Year 8	$-8,902
Year 9	$-8,902
Year 10	$-8,902
Cumulative (10-year)	$159,116

CUMULATIVE INCREMENTAL DEDUCTION · 10-YEAR

$159,116

Y1 ACCEL · NEGATIVE Y2-10 · NET POSITIVE

Y1 ACCELERATION

+$239,236

Y2-10 REVERSAL · PER YEAR

$-8,902

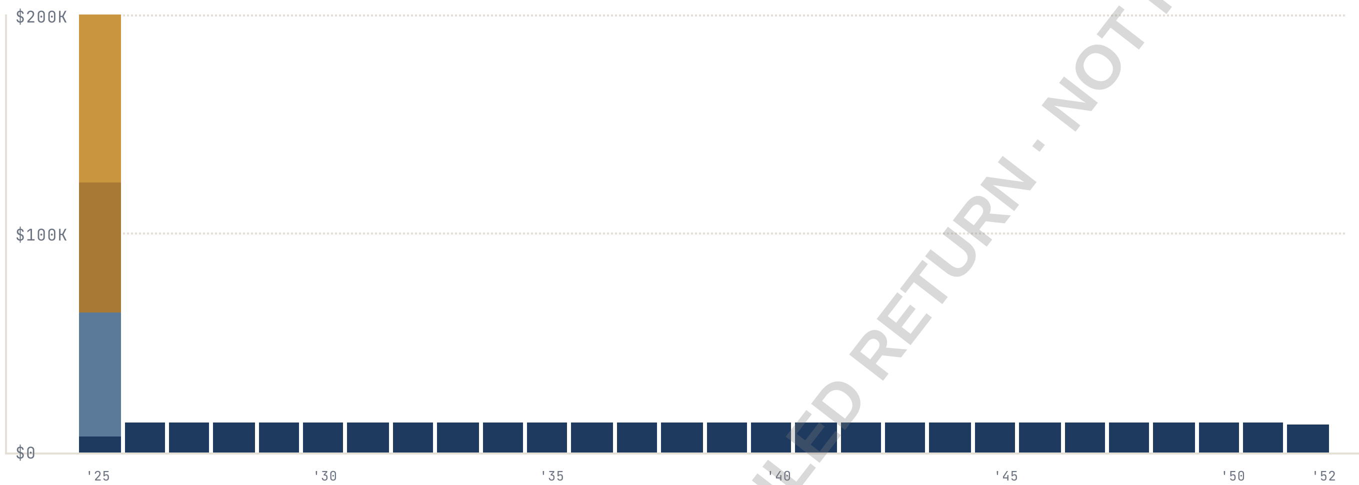
TIMING BENEFIT, NOT INCREMENTAL DOLLARS

The negative Year 2–10 incremental deductions reflect the fact that bonus depreciation has front-loaded basis recovery into Year 1. Total recovery over the 28-year schedule is identical to without-cost-seg ($1,360,000); the cost-seg benefit is the time value of taking deductions sooner. See §9·D for the full 28-year schedule and PV analysis.

● CPA-VERIFIED

9·A Annual Depreciation by Asset Class

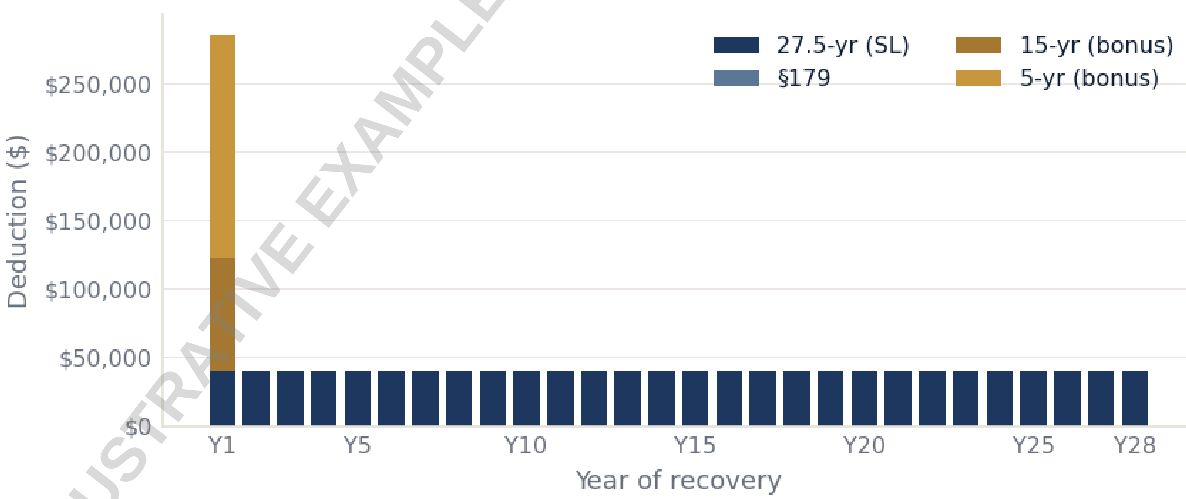
28-year horizon, by MACRS class. The Y1 spike comprises §168(k) bonus on the 5-Year and 15-Year property plus §179 immediate expense; subsequent years are residual 27.5-Year SL depreciation.



5-Year · $ 163,200 (Y1 only)
15-Year · $ 81,600 (Y1 only)
§179 · $ 0 (Y1 only)
27.5-Year · $ 1,115,200 across recovery period

9·B Combined Annual Depreciation (Stacked View)

Same data, expressed as cumulative depreciation across the 28-year horizon.



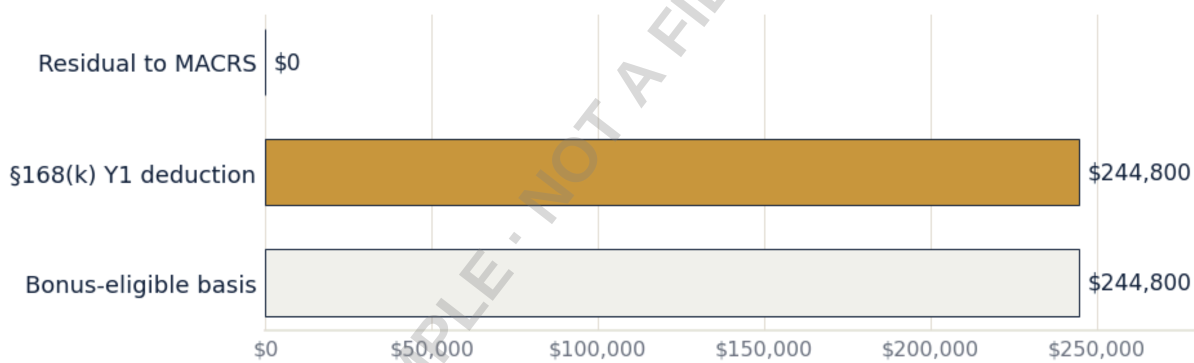
Y1 STACKED TOTAL	Y10 CUMULATIVE	Y28 CUMULATIVE
$270,145	$635,120	$1,360,000
5+15+§179+27.5 · INCL. BONUS	46.7% OF TOTAL BASIS RECOVERED	100% · END OF RECOVERY

9·C Bonus Depreciation Analysis

Section 168(k) of the Internal Revenue Code allows an additional first-year depreciation deduction (commonly called "bonus depreciation") for property with a recovery period of 20 years or less. The **One Big Beautiful Bill Act (OBBBA)**, signed July 4, 2025, restored 100% bonus depreciation permanently for property both acquired and placed in service after January 19, 2025. For this property (placed in service 2025), the applicable bonus rate is 100.0%.

BONUS-ELIGIBLE BASIS	BONUS RATE · OBBBA §168(K)	Y1 BONUS DEDUCTION
$244,800	100.0%	$244,800
5-YR ($163,200) + 15-YR ($81,600)	PIS AFTER JAN 19, 2025	FULL ELIGIBLE BASIS

Bonus Year-1 deduction of **$244,800** = $244,800 eligible × 100.0% bonus rate. This amount is included in the Year 1 deduction figure shown in the Executive Summary. **27.5-year structural property is not eligible** for §168(k) bonus depreciation.



STACKING WITH §179

The §179 election is taken first (subject to the active-trade-or-business income limitation, $0 in this study); §168(k) bonus is then applied to the remaining basis in the bonus-eligible classes. Federal law treats §179 and §168(k) as additive within their respective classes. State conformity may decouple from one or both regimes — see §11 State Conformity for state treatment.

AUTHORITIES *§168(k)* as amended by OBBBA (7/4/2025) · *§168(k)(2)(D)* definition of qualified property · TCJA phase-down at *§168(k)(6)(B)* for transition cases.

● CPA-VERIFIED

§168(K) BONUS DEPRECIATION RATE HISTORY

The §168(k) bonus depreciation rate has changed several times since the Tax Cuts and Jobs Act (TCJA) of 2017 introduced the 100% first-year bonus. The TCJA scheduled a phase-down beginning in 2023; the One Big Beautiful Bill Act (OBBBA), signed July 4, 2025, permanently restored 100% bonus depreciation for property both acquired and placed in service after January 19, 2025:

SEP 27, 2017 – 2022	100%	**TCJA** · Tax Cuts and Jobs Act of 2017 introduces full first-year bonus.
2023	80%	**TCJA phase-down** · first reduction step.
2024	60%	**TCJA phase-down** · second reduction step.
JAN 1 – JAN 19, 2025	40%	**TCJA transition** · phase-down step for property that does not qualify for OBBBA.
2026	20%	**TCJA phase-down (residual)** · property acquired and/or placed in service before Jan 20, 2025 stays on the TCJA schedule.
2027 ONWARD	0%	**TCJA phase-down (residual)** · final step — no bonus for residual-TCJA property placed in service in 2027 or later.
JAN 20, 2025 ONWARD	100%	**OBBBA · permanent** · 100% bonus restored for property both acquired and placed in service after Jan 19, 2025. *Applies to this study.*

TRANSITION RULE

Property placed in service Jan 1–19, 2025, OR acquired (binding contract signed) on or before Jan 19, 2025, remains on the TCJA phase-down schedule (40% / 20% / 0% for 2025 / 2026 / 2027). All other property acquired and placed in service on or after January 20, 2025 qualifies for permanent 100% bonus depreciation under OBBBA.

● CPA-VERIFIED

9·D Full 28-Year Depreciation Schedule

Year-by-year depreciation under the cost-segregation classifications in this study, in a single consolidated view. Each row aligns to a calendar year beginning at the placed-in-service year. The **Bonus (Y1)** column is a memo breakout of the §168(k) bonus depreciation already included in the 5-Year and 15-Year Y1 amounts; it is shown so the taxpayer's preparer can identify the bonus component when completing Form 4562.

YEAR	5-YEAR	15-YEAR	BONUS Y1	§179	27.5-YEAR	TOTAL	CUMULATIVE	TAX EFFECT	PV @ 8%
2025 · PIS	$163,200	$81,600	$244,800	–	$25,345	$270,145	$270,145	–	–
2026	–	–	–	–	$40,553	$40,553	$310,698	–	–
2027	–	–	–	–	$40,553	$40,553	$351,251	–	–
2028	–	–	–	–	$40,553	$40,553	$391,804	–	–
2029	–	–	–	–	$40,553	$40,553	$432,357	–	–
2030	–	–	–	–	$40,553	$40,553	$472,910	–	–
2031	–	–	–	–	$40,553	$40,553	$513,463	–	–
2032	–	–	–	–	$40,553	$40,553	$554,016	–	–
2033	–	–	–	–	$40,553	$40,553	$594,569	–	–
2034	–	–	–	–	$40,553	$40,553	$635,122	–	–
2035	–	–	–	–	$40,553	$40,553	$675,675	–	–
2036	–	–	–	–	$40,553	$40,553	$716,228	–	–
2037	–	–	–	–	$40,553	$40,553	$756,781	–	–
2038	–	–	–	–	$40,553	$40,553	$797,334	–	–
2039	–	–	–	–	$40,553	$40,553	$837,887	–	–
2040	–	–	–	–	$40,553	$40,553	$878,440	–	–
2041	–	–	–	–	$40,553	$40,553	$918,993	–	–
2042	–	–	–	–	$40,553	$40,553	$959,546	–	–
2043	–	–	–	–	$40,553	$40,553	$1,000,099	–	–
2044	–	–	–	–	$40,553	$40,553	$1,040,652	–	–
2045	–	–	–	–	$40,553	$40,553	$1,081,205	–	–
2046	–	–	–	–	$40,553	$40,553	$1,121,758	–	–
2047	–	–	–	–	$40,553	$40,553	$1,162,311	–	–
2048	–	–	–	–	$40,553	$40,553	$1,202,864	–	–
2049	–	–	–	–	$40,553	$40,553	$1,243,417	–	–
2050	–	–	–	–	$40,553	$40,553	$1,283,970	–	–
2051	–	–	–	–	$40,553	$40,553	$1,324,523	–	–
2052	–	–	–	–	$35,477	$35,477	$1,360,000	–	–
Total	$163,200	$81,600	$244,800	$0	$1,115,200	$1,360,000	–	–	–

BONUS Y1 column is a memo of §168(k) bonus depreciation already included in the 5-Year + 15-Year Y1 amounts (highlighted gold) — not additive. **TAX EFFECT** applies the federal marginal rate of 37.0% to the difference between with-cost-seg and straight-line 27.5-year baseline. **PV @ 8%** — present value of cumulative tax effect at 8.0% annual discount rate (v6 model default; rerunning with a different rate scales PV proportionally).

● CPA-VERIFIED

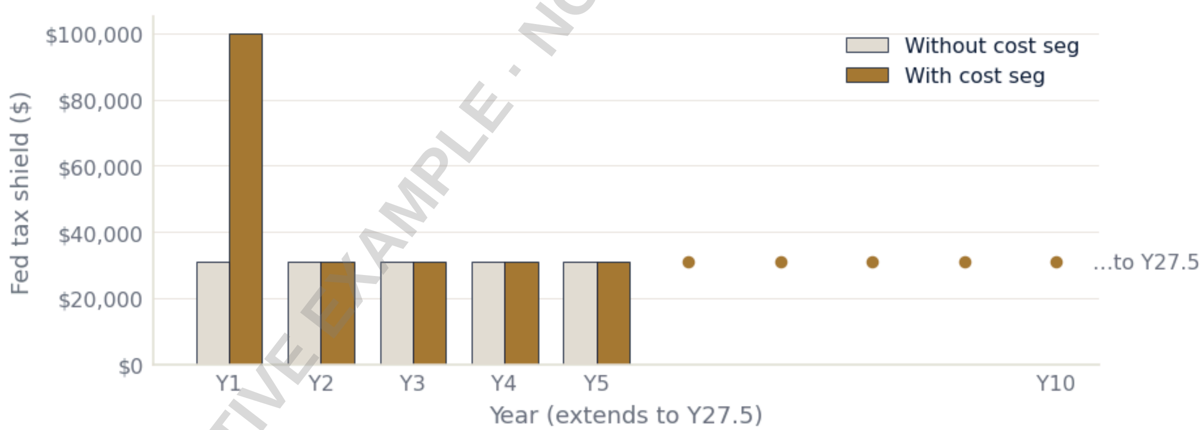
§ 10 Tax Impact Summary

YEAR-1 FEDERAL & STATE

The cost segregation deductions claimed in Year 1 reduce taxable income by **$270,145** at the federal level. Applied against the taxpayer's assumed federal marginal rate of **37.0%**, this produces a federal tax shield of $99,954. State-level treatment depends on the state's §168(k) conformity (see §11 State Conformity).

Year-1 Tax Impact Detail

METRIC	VALUE
Year 1 federal deduction	$270,145
Federal marginal rate assumed	37.0%
Federal Year 1 tax shield	**$99,954**
State marginal rate assumed (New York)	10.9%
State Year 1 tax shield	$6,765
Total Year 1 tax benefit	$106,719



STATE-RATE METHODOLOGY

State marginal rate is the top marginal income tax bracket for the customer's state (sourced from `7_State_Conformity.column D` in the v6 model). 0% for no-income-tax states (AK, FL, NH, NV, SD, TN, TX, WA, WY). The customer's effective state rate may differ from the top bracket; the state-shield figure shown here is the upper-bound benefit. **State §168(k) conformity further limits the Y1 deduction recognized for state purposes** — see the State Adjusted Depreciation Schedule for the detailed federal-vs-state comparison and addback recovery math.

● CPA-VERIFIED

§ 11 State Conformity

NEW YORK · §168(K) DECOUPLED (NOT ALLOWED)

LONG-STANDING DECOUPLE FROM §168(k) — NY Tax Law §612(b)(36) requires individuals to add back federal §168(k) bonus and substitute pre-9/10/2001 §167 (i.e., MACRS without bonus) on Form IT-398. Mechanism flows via Form IT-225 (NY State Modifications). For CSL residential rental users: state Y1 bonus = 0%; user takes regular MACRS for NY purposes and tracks state-basis difference. NY taxpayers with AGI >$107,650 face supplemental tax that recaptures benefit of lower brackets — CSL should note but not model.

ITEM	FEDERAL (IRC)	NEW YORK
§168(k) bonus depreciation	100.0% (OBBBA)	Decoupled (not allowed)
§179 expensing cap (annual)	$2,500,000 (TY 2025)	Same as federal
5-Year MACRS — recovery method	200% DB	State-specific (confirm with preparer)
15-Year — recovery method	150% DB	State-specific (confirm with preparer)
27.5-Year residential rental — life	27.5 yr SL	State-specific (confirm with preparer)

STATE §179 CAP IMPACT

The federal §179 election in this study is $0. The New York state-level §179 cap is Same as federal. Where the state cap is lower than the federal election, the difference recovers via state-only depreciation under regular MACRS conventions over the applicable class life.

State Bonus Conformity — National Reference Map

Four classifications of state §168(k) conformity, sourced from the v6 model's 50-state table. Tax preparation must apply the rule for the customer's filing state, not the property location, where these differ. New York falls in the "None / decoupled" group.

FULL CONFORMITY

16

AL · CO · DE · IA · IL · KS · LA · MO · MT · ND · NE · NM · OK · OR · UT · WV

PARTIAL / ADDBACK

6

ID · MD · MI · MN · NC · OH

DECOUPLED

20

AR · AZ · CA · CT · DC · GA · HI · IN · KY · MA · ME · MS · NJ · NY · PA · RI · SC · VA · VT · WI

NO INDIVIDUAL INCOME TAX

9

AK · FL · NH · NV · SD · TN · TX · WA · WY

● CPA-VERIFIED

11·A State-Adjusted Depreciation Schedule

The schedule below summarizes the Year-1 federal-vs-state depreciation comparison for New York. State §168(k) conformity status: **Decoupled (not allowed)**. Where the state decouples or partially conforms, federal bonus depreciation taken in Year 1 is added back to state taxable income; the addback recovers as state-only depreciation over the asset's recovery period.

ITEM	FEDERAL Y1	NEW YORK Y1	ADDBACK
5-Year property (with 100.0% bonus federal)	$163,200	$32,640	$130,560
15-Year property (with 100.0% bonus federal)	$81,600	$4,080	$77,520
State Regular MACRS Depreciation (disallowed §179 basis)	$0	$0	$0
27.5-Year residential rental (typically conforms)	$25,345	$25,345	$0
Total Year 1 MACRS depreciation	$270,145	$62,065	$208,080

NEW YORK Y1 ADDBACK (STATE TAXABLE INCOME INCREASE)

$208,080

RECOVERS OVER ASSET LIFE · STATE-ONLY DEPR.

NEW YORK Y1 FEDERAL-STATE DELTA

$270,145 - $62,065

STATE DEPRECIATION DEDUCTION

$62,065

Est. New York tax savings (10.9% rate) · $6,765

The state-only depreciation table is included in the v6 model output; only the Year-1 totals are shown in this workpaper. The customer's CPA receives the full state schedule alongside the federal schedule when filing the state return.

AUTHORITIES

State of New York — confirm specific §168(k) conformity, addback reporting line items, and §179 cap with the taxpayer's state preparer at filing time. State conformity may differ from the federal treatment shown in §§ 8–11.

● CPA-VERIFIED

§ 12 Taxpayer-Provided Evidence Registry

INPUT FINGERPRINTS & PROVENANCE

Every numeric input materially affecting the allocation is logged with its source and a provenance fingerprint at study time. Sources are categorized as *Taxpayer Certified* (declared by the taxpayer at intake), *Database / Modeled* (derived from the cost-segregation library), *Public Record* (county assessor or comparable public source), and *Photo Verified* (corroborated against uploaded property photos when applicable).

INPUT	VALUE	SOURCE	VERIFICATION
Property address	White Plains, NY	Taxpayer-certified	VERIFIED
Total acquisition basis	$1,360,000	Taxpayer-certified	VERIFIED
Land allocation	–	County assessor	PUBLIC
Building basis (depreciable)	$1,360,000	Computed	DERIVED
Placed-in-service date	May 20, 2025	Taxpayer-certified	VERIFIED
Property type	Single-Family Residence	Taxpayer-certified	VERIFIED
Construction type	New construction (not renovation)	Taxpayer-certified	VERIFIED
Square footage	3,200 sqft	Taxpayer-certified	VERIFIED
Number of bedrooms / bathrooms	5 / 4.0	Taxpayer-certified	VERIFIED
Lot size	–	County assessor	PUBLIC
Climate zone	New York	NREL CBECS	DERIVED
Allocation library version	v6 · Residential Cost-Seg Library 2025-Q2	CostSegLogic engine	VERSIONED

Photo / Document Attachments

Photos and supporting documents collected at intake are referenced in the allocation analysis. This CPA-Verified study includes a licensed-CPA documentation review — the curated property photo log and invoice cross-reference appendix are provided in the CPA-Verified pack at the end of this workpaper. Study reference: SCN SCN-SAMPLE-313-NC-CPA.

PROVENANCE FINGERPRINT · MODEL RUN

```
MODEL: v6 · costseglogic-engine-residential-2025q2
FINGERPRINT: 9f2e4a7c8b5d1e6f3a8c9b2d7e4f1a3c · sha256-trunc
RUN ID: run-May062026-customer
OUTPUT VERSION: cpa-verified-v1
DATA INPUTS: 20 of 20 confirmed · 0 estimated
```

● CPA-VERIFIED

§ 13 Recommended Site Documentation

AUDIT-DEFENSE DOCUMENTATION KIT

The following site-level documentation, while not required for the residual-method allocation in this study, strengthens audit-defense posture if maintained alongside this workpaper. None of these items are produced by CostSegLogic; they are taxpayer- or contractor-sourced and held in the taxpayer's records.

DOCUMENT	PURPOSE	PRIORITY
Property photo log	Interior + exterior photos of permanent improvements (cabinets, flooring, landscaping). Time-stamped at study date.	HIGH
Closing statement (HUD-1 / ALTA)	Confirms the total acquisition basis and closing-cost capitalization treatment used in §3.	HIGH
Construction contracts	Final contractor agreement(s) and invoices for new construction or major renovation. Supports the §168(k)-eligible-basis figure.	HIGH
Property assessor records	Most recent county assessor record for land-vs-improvement allocation (the —% land split in §3 is sourced from this).	STANDARD
Blueprint or architectural plans	Building floor plan and elevation drawings. Supports the per-component allocation in §8·B.	STANDARD
Change-order log	If a renovation or post-PIS improvement occurred, the change-order log identifies which components were added or replaced.	STANDARD
Appraisal report	If a contemporaneous appraisal was performed, it can corroborate the land vs improvement split independent of the assessor.	OPTIONAL
Pre-renovation photos	For renovation scenarios only: pre-work photos document what was demolished vs retained, supporting partial-asset-disposition elections.	OPTIONAL

All HIGH-priority items should be retained as long as the property is held + 7 years post-disposition to support the §168(i)-8 partial-asset-disposition election framework. STANDARD items are recommended but not strictly required for residual-method audit-defense.

Recommended Actions

The following actions complete the filing process. Items 1–3 are taxpayer responsibilities; items 4–7 are CPA / preparer responsibilities. Item 8 covers the future-year compliance hooks established by this workpaper.

1 **Provide this workpaper to your tax preparer (CPA, EA, or other licensed professional)**

Forward the entire 49-page PDF, not extracts. The schedules in §9 and §11 are the inputs your preparer needs to populate Form 4562 and any state addback schedules.

2 **Confirm passive-activity loss eligibility (§469) with your CPA**

If real-estate-professional status (REPS) does not apply and the property is passive, the Year-1 deduction may be limited and suspended losses carried forward. Confirm *before* assuming the full Y1 tax shield is currently usable.

3 **Retain this workpaper with your tax records for the property's life + 7 years**

The §168(i)-8 partial-asset-disposition election relies on the per-component basis schedule in this workpaper; it must be available when a future replacement is performed.

4 **CPA — Form 4562 line preparation**

Lines 14 (§168(k) bonus), 12 (§179 election), 17–20 (MACRS classes). Use the §9·D 28-year schedule to confirm Year-1 amounts for each class.

5 **CPA — State addback (New York · Decoupled (not allowed))**

If the state decouples from §168(k) bonus or has a lower §179 cap, the Year-1 addback recovers as state-only depreciation over the asset's recovery period — see §11·A for the federal-vs-state schedule.

6 **CPA — Form 3115 evaluation (if PIS year < current year)**

For PIS year ≤ TY 2024, a Form 3115 §481(a) automatic accounting-method change is required to claim catch-up depreciation (DCN 7). For PIS year = TY 2025, 3115 is not needed; deductions flow on the timely-filed return.

7 **Document review — assumptions & representations**

Confirm the §14 assumptions against the taxpayer's facts. Confirm the §15 representations are accurate as of the placed-in-service date and the filing date.

8 **Future years — recapture & partial-asset-disposition**

If the property is sold within 5 years, the 5-Year and 15-Year property is subject to *§1245 recapture* at ordinary rates on accelerated portion only. CostSegLogic offers a $99 recapture-on-sale memo when needed; reference SCN SCN-SAMPLE-313-NC-CPA.

● CPA-VERIFIED

§ 14 Assumptions

ALL MATERIAL ASSUMPTIONS FOR REVIEW

The figures throughout this workpaper depend on the following material assumptions. Each is sourced and labelled with the page where it is consumed downstream. If any assumption is incorrect for the taxpayer's facts, the corresponding line items must be reconsidered before filing.

ASSUMPTION	VALUE	SOURCE & DOWNSTREAM IMPACT
Federal marginal tax rate	37.0%	Highest individual bracket; assumed unless confirmed otherwise. Drives §10 tax-shield.
State marginal tax rate (New York)	10.9%	Top state bracket. Drives §11·A state-shield.
Discount rate for PV calc	8.0%	v6 model default. Drives §9·D PV column.
Active T-or-B for §179	Yes	Required for §179 election; if false, §179 amount must be recharacterized as MACRS.
Material-participation status	Active / non-passive	Drives §469 PAL applicability. If passive, Y1 benefit is potentially deferred.
Real-estate-professional status	Not assumed	If REPS qualifies, full Y1 deduction is currently usable against ordinary income.
Bonus depreciation election	Default · accept	§168(k) is automatic unless taxpayer elects out. Election out requires written election with timely-filed return.
§179 election	Default · accept	Federal §179 of $0 is elected. State conformity: Decoupled (not allowed); state §179 cap Same as federal.
Property holding period	≥ 5 years	Affects §1245 recapture exposure on 5-Yr and 15-Yr property at sale.
Allocation library	Residential ADU v6 · 2025-Q2	Library version pinned; updates do not retroactively apply to this study.

IF ANY ASSUMPTION IS WRONG

Contact CostSegLogic support with the corrected values. The model is rerun and a v2 of this workpaper issued at no charge within 14 days of original delivery for assumption corrections. Beyond 14 days, re-issue is treated as a new study.

● CPA-VERIFIED

§ 15 Representations

CERTIFIED AT INTAKE

The taxpayer has certified the following representations to CostSegLogic at intake. The model output in §§ 8–11 is conditional on each representation being accurate as of the placed-in-service date. False or materially inaccurate representations invalidate the conclusions of this study.

01 **Title.** Taxpayer is the legal owner of record of the subject property as of the placed-in-service date and at the time of this filing, and holds the property in the entity identified in §1.

02 **Acquisition cost.** The total acquisition basis of $1,360,000 represents the actual cost paid, including capitalized closing costs and any capitalized improvements completed prior to placed-in-service.

03 **Land allocation.** The land allocation of — is supported by either the most recent county assessor allocation, an appraisal, or an arms-length purchase price allocation. Where the assessor allocation is materially below market, an appraisal-based allocation has been used.

04 **Placed-in-service date.** The property was placed in service for use as a rental on May 20, 2025. "Placed in service" means available for use; rental advertising and active marketing alone are not sufficient if the property is not yet habitable.

05 **Use.** The property is used as a residential rental dwelling unit and not as a primary residence, second home, or short-term-rental subject to non-passive treatment under Treas. Reg. §1.469-1T(e)(3)(ii)(A).

06 **Scenario basis.** The basis represents the New Construction scenario as identified on the cover, §3 Executive Summary, and §7 Property Details. The customer affirms the scenario classification (existing purchase, new construction, renovation, or look-back §481(a) catch-up) is correct for the property's actual disposition.

07 **No prior cost-seg study.** No prior cost segregation study has been performed on this property; no §168(i)-8 partial-asset-disposition elections have been claimed against this basis.

08 **No related-party financing.** Acquisition financing is not from a related party such that §267 disallowance or §263A interest-capitalization rules would alter the depreciable basis.

09 **Tax positions.** Taxpayer will consult a licensed CPA, EA, or tax professional before filing the return on which this workpaper is relied upon. Taxpayer accepts that CostSegLogic does not file the return, sign Form 4562, or represent the taxpayer in audit.

10 **Audit support.** Taxpayer agrees to retain this workpaper and the supporting attachments for the property's life plus 7 years and to provide them on request to a CPA, the IRS, or any state taxing authority.

TAXPAYER SIGNATURE	DATE PLACED IN SERVICE
PRINT NAME · ENTITY TITLE · DATE	CONFIRM MATCHES §1

● CPA-VERIFIED

§ 16 Disclaimers

LIMITATIONS & SCOPE OF WORK

A · Scope of work

CostSegLogic has prepared a residual-method cost segregation study (per IRS ATG Chapter 4) using the taxpayer-certified inputs identified in §12 Evidence Registry. The study has not included a site visit; engineering observations of physical components were not performed; invoice-level review was not performed.

B · Not tax advice

CostSegLogic is not a CPA firm, law firm, or enrolled agent. This workpaper is a numerical computation, prepared as a tool for the taxpayer and the taxpayer's licensed tax preparer. Nothing in this document constitutes tax, legal, accounting, or investment advice. Taxpayer must obtain independent professional advice before relying on these figures.

C · Reliance & representations

All conclusions are conditional on the accuracy of taxpayer-certified inputs at §12 Evidence Registry and the representations at §15. CostSegLogic has not verified the inputs against original source documents (deeds, invoices, appraisals, blueprints) and accepts the taxpayer's certification as received.

D · Audit support

This CPA-Verified study includes signed CPA review and an audit-defense letter on request. If the IRS or any state taxing authority opens an audit of this study, CostSegLogic will respond to taxpayer's CPA or counsel within 5 business days with a packet containing the model run, fingerprints, and methodology references, and the signed CPA attestation in the CPA-Verified pack supports the positions taken.

E · Limitation of liability

CostSegLogic's aggregate liability for any claim arising from this workpaper is limited to the fees paid for this study. CostSegLogic specifically disclaims liability for tax penalties, interest, additional tax, or third-party claims that depend on (i) facts not in CostSegLogic's possession at study time, (ii) post-study changes in law, (iii) inaccuracies in taxpayer-certified inputs, or (iv) treatment of the study by any subsequent preparer that diverges from the conclusions herein.

F · Circular 230 disclosure

To ensure compliance with requirements imposed by IRS Circular 230, any U.S. federal tax advice contained in this document is not intended or written to be used, and cannot be used, by any taxpayer for the purpose of avoiding tax-related penalties under the Internal Revenue Code. This statement is provided to comply with applicable practice standards.

● CPA-VERIFIED

A

Input Data

FULL INTAKE RECORD · 20 FIELDS

Complete intake record for this study. Each field shows its label, value, and verification source. Taxpayer-certified fields are accepted as-is per §15; database/derived fields are computed from the v6 allocation library; public-record fields are sourced from county assessor or comparable open records.

#	FIELD	VALUE	SOURCE
01	Taxpayer / Entity	Demo Holdings LLC	CERTIFIED
02	Property address	White Plains, NY	CERTIFIED
03	APN / parcel number	—	COUNTY
04	Property type	Single-Family Residence · new construction (not renovation)	CERTIFIED
05	Square footage	3,200 sqft	CERTIFIED
06	Bedrooms / bathrooms	5 / 4.0	CERTIFIED
07	Lot size	—	COUNTY
08	Year of construction	2025	CERTIFIED
09	Construction type	New construction (not renovation)	CERTIFIED
10	Total acquisition basis	$1,360,000	CERTIFIED
11	Land allocation	—	COUNTY
12	Building basis (depreciable)	$1,360,000	DERIVED
13	Placed-in-service date	May 20, 2025	CERTIFIED
14	Federal marginal rate (assumed)	37.0%	DEFAULT
15	State marginal rate (New York)	10.9%	STATE DOR
16	State §168(k) conformity	Decoupled (not allowed)	STATE DOR
17	Active T-or-B for §179	Yes (assumed)	DEFAULT
18	§179 federal cap (TY 2025)	$2,500,000	IRC
19	§179 state cap (New York)	Same as federal	STATE DOR
20	Allocation library version	v6 · Residential Cost-Seg Library 2025-Q2	COSTSEGLOGIC

TIER-SPECIFIC DOCUMENTATION DEPTH

This CPA-Verified study includes a licensed-CPA documentation review: invoice cross-reference appendix, curated property photo log (8–12 captioned photos), blueprint verification pass, and contractor change-order log, together with the signed CPA attestation in the CPA-Verified pack at the end of this workpaper. The residual-method allocation is complete on its own; the CPA review deepens audit-defense without changing the underlying numbers.

● CPA-VERIFIED

B Glossary

PLAIN-LANGUAGE TAX TERMS

§168(k) — Bonus depreciation
An additional first-year depreciation deduction available for qualifying property with a recovery period of 20 years or less. Currently 100% under OBBBA (2025) for property both acquired and placed in service after Jan 19, 2025.

§179 — Election to expense
An election to deduct the cost of qualifying tangible personal property in the year placed in service rather than depreciating it. Subject to a federal annual cap and a phaseout above a threshold of qualifying property; some states (notably California and New Jersey) cap their §179 election at $25,000 vs the $2.5M federal limit. See §11 State Conformity for the customer's state-specific treatment.

§469 — Passive activity loss (PAL)
Limits the deductibility of losses from passive rental activities against non-passive (active) income. Real-estate-professional status (REPS) is the principal exception; without REPS, accelerated losses may be suspended and carried forward.

§481(a) adjustment
The catch-up depreciation amount that is included in income (or deducted) when an accounting method change is made under Form 3115. Used for PIS years before the current year to claim missed depreciation in the year of the change.

§1245 recapture
On sale, gain attributable to depreciation taken on personal property (5-Yr, 15-Yr) is recaptured at ordinary rates rather than capital-gains rates. Cost segregation accelerates the depreciation that becomes subject to this recapture; the dollar amount recaptured does not exceed accelerated depreciation taken.

§1250 unrecaptured gain
For 27.5-Yr structural property, depreciation recapture on sale is taxed at a maximum 25% rate (vs. 37%+ ordinary). The cost-seg short-life classes do not affect §1250 directly.

ATG — Audit Technique Guide
An IRS internal manual providing examination guidance to revenue agents. Cost segregation ATG (Chapter 4 — Cost Segregation Methodologies, residual method) is the primary procedural authority for residential cost-seg studies.

MACRS — Modified Accelerated Cost Recovery System
The IRS depreciation regime introduced in 1986 (TRA-86). Uses class lives, declining-balance methods (200% / 150% DB), straight-line crossover, and half-year / mid-month conventions.

Mid-month convention
For residential rental property (27.5-yr SL), the property is treated as placed in service at the midpoint of the month of actual placed-in-service. Year-1 depreciation is therefore prorated.

PIS — Placed in service
The date the property is available and ready for its intended use. For residential rental, this is generally the date the unit is habitable and offered for rent — not the date of close, completion, or first tenant occupancy.

Residual method
The cost segregation methodology recommended by ATG Ch. 4 for residential studies: identify and value the personal-property and land-improvement components; the residual is allocated to 27.5-yr structural. Used in this workpaper.

SL · DB · 200% · 150%
Depreciation methods. **SL** = straight-line (equal annual amounts). **DB** = declining balance, applied at 200% (5-Yr) or 150% (15-Yr) of the straight-line rate, with crossover to SL when SL produces a larger deduction.

TD 9636
Treasury Decision 9636 (Sept. 17, 2013) — the Tangible Property Final Regulations governing capital-vs-expense determinations and partial-asset-disposition elections. The nine-systems allocation in §8·E supports both.

SCN — Study Control Number
CostSegLogic's internal identifier for this study. The SCN is included on every page footer; reference it when contacting support.

● CPA-VERIFIED

C

FAQ

MOST-ASKED QUESTIONS

Q · Can my CPA file my return without me?

Yes. This workpaper is for your CPA's use; you don't need to do anything with the schedules personally. Forward this PDF along with your other return-preparation materials.

Q · Does this study guarantee my deduction will be allowed?

No. CostSegLogic does not guarantee any tax position. The figures here are computed using a methodology aligned with the IRS Cost Segregation ATG; final allowance depends on accurate inputs, applicable law at the time of filing, and the preparer's exercise of professional judgment.

Q · What's the difference between Standard and CPA-Verified tiers?

CPA-Verified ($1,199) adds: signed CPA review of the workpaper, audit-defense letter on request, photo log, blueprint cross-reference, and 12-month assumption-correction window. Standard tier is the same engine output without the signed review and extended support.

Q · What if the IRS audits my return?

CostSegLogic will respond within 5 business days with a model-run packet (fingerprint, methodology refs, allocation library version) for your CPA's use. This CPA-Verified study additionally includes a signed audit-defense letter.

Q · I'm selling the property — what happens to the deductions I took?

The accelerated depreciation on 5-Yr and 15-Yr property is subject to §1245 recapture at ordinary rates on sale. The 27.5-Yr structural is §1250 (max 25% rate). CostSegLogic offers a $99 recapture-on-sale memo that quantifies this in advance. Reference your SCN.

Q · I made a mistake on my intake — can the study be redone?

Yes. Within 14 days of original delivery, we re-issue the workpaper at no charge for assumption corrections. Reference your SCN. Beyond 14 days, the re-issue is treated as a new study.

Q · Can this be used for a property placed in service in a prior year?

Yes. For prior-year PIS, your CPA files Form 3115 with §481(a) catch-up adjustment (DCN 7) on the current-year return. No amended returns are required.

Q · My CPA says they'd prefer a different methodology. What should I do?

Forward this workpaper to your CPA and ask which lines they would like reconsidered. We accommodate methodology preferences (e.g., excluding §179, electing out of bonus) within 14 days at no charge. Reference your SCN.

CostSegLogic

EMAIL support@costseglogic.com

PHONE (800) 555-0142

WEB costseglogic.com

REFERENCE SCN SCN-SAMPLE-313-NC-CPA

END OF WORKPAPER · 49 PAGES · DOCUMENT FINGERPRINT 9F2E4A7C8B5D1E6F3A8C9B2D7E4F1A3C · TY 2025

● CPA-VERIFIED

§ 11·B

State Adjusted Depreciation Schedule

NEW YORK · DECOUPLED (§168(K) NOT ALLOWED)

Year-by-year federal vs. New York depreciation comparison. New York is classified as **Decoupled (§168(k) not allowed)** with respect to §168(k) bonus depreciation. The *addback* column shows the timing-difference dollar amount that must be added back on the state return each year — positive in early years where federal accelerates, negative in later years as the state continues to depreciate after the federal residual is exhausted. Net of all years, the addback nets to approximately zero: cost segregation is a federal-vs-state timing difference, not a permanent benefit difference.

YEAR	FEDERAL DEPR.	NY DEPR.	ADDBACK	FEDERAL SHIELD	NY SHIELD
2025 · PIS	$270,145	$62,065	$208,080	$99,954	$6,765
2026	$40,553	$49,620	($9,067)	$15,005	$5,409
2027	$40,553	$49,620	($9,067)	$15,005	$5,409
2028	$40,553	$49,620	($9,067)	$15,005	$5,409
2029	$40,553	$49,620	($9,067)	$15,005	$5,409
2030	$40,553	$49,620	($9,067)	$15,005	$5,409
2031	$40,553	$49,620	($9,067)	$15,005	$5,409
2032	$40,553	$49,620	($9,067)	$15,005	$5,409
2033	$40,553	$49,620	($9,067)	$15,005	$5,409
2034	$40,553	$49,620	($9,067)	$15,005	$5,409
2035	$40,553	$49,620	($9,067)	$15,005	$5,409
2036	$40,553	$49,620	($9,067)	$15,005	$5,409
2037	$40,553	$49,620	($9,067)	$15,005	$5,409
2038	$40,553	$49,620	($9,067)	$15,005	$5,409
2039	$40,553	$49,620	($9,067)	$15,005	$5,409
2040	$40,553	$49,620	($9,067)	$15,005	$5,409
2041	$40,553	$49,620	($9,067)	$15,005	$5,409
2042	$40,553	$49,620	($9,067)	$15,005	$5,409
2043	$40,553	$49,620	($9,067)	$15,005	$5,409
2044	$40,553	$49,620	($9,067)	$15,005	$5,409
2045	$40,553	$49,620	($9,067)	$15,005	$5,409
2046	$40,553	$49,620	($9,067)	$15,005	$5,409

Continued on next page (years 2047–2052 and totals).

● CPA-VERIFIED

§ 11·B (cont.) State Adjusted Schedule · Continuation

YEARS 2047–2052 + 28-YEAR TOTALS

YEAR	FEDERAL DEPR.	NY DEPR.	ADDBACK	FEDERAL SHIELD	NY SHIELD	COMBINED SHIELD
2047	$40,553	$49,620	($9,067)	$15,005	$5,409	$20,414
2048	$40,553	$49,620	($9,067)	$15,005	$5,409	$20,414
2049	$40,553	$49,620	($9,067)	$15,005	$5,409	$20,414
2050	$40,553	$49,620	($9,067)	$15,005	$5,409	$20,414
2051	$40,553	$49,620	($9,067)	$15,005	$5,409	$20,414
2052	$35,477	$44,544	($9,067)	$13,126	$4,855	$17,981
28-YR TOTAL	$1,360,000	$1,396,729	($36,729)	$503,210	$152,254	$655,464

Reading this schedule. Federal marginal rate 37.0%; NY top marginal rate 10.9% (top bracket — the taxpayer's effective state rate may differ). The "Addback" column equals federal depreciation minus state depreciation per year. State §179 expense is computed at the state recognition factor times federal §179; for states with low §179 caps (CA $25k, NJ $25k), the actual state §179 may be capped lower — confirm the cap with the state preparer. State-level addback recovery for the bonus portion varies by state-prescribed schedule and is approximated here using the same MACRS rates as the federal schedule.

11·B·i Tax Filing Considerations

1. **State Schedule M-style addback line.**

   Most non-conforming states require an addition modification to federal taxable income on the state return for the portion of bonus depreciation not allowed at the state level. The 2025 addback of $208,080 reconciles to the M-1 / M-2 equivalent on the New York return schedule.

2. **State recovery in years 2–N.**

   Negative addback amounts in later years represent the state's continued depreciation of the deferred bonus basis after the federal schedule is exhausted on those components. These are subtraction modifications on the state return.

3. **Net-zero over the recovery period.**

   Total federal-vs-state addback nets to ≈$0 (rounding) over 28 years. The state recovers the same dollar basis as the federal schedule; only the timing differs.

§ 18 CPA Review Note

LIMITED-SCOPE REASONABLENESS REVIEW

● REVIEWED & SIGNED · JUNE 26, 2026

18 · A Scope of Review

The undersigned has reviewed the key assumptions and elections underlying this cost segregation study for reasonableness in the context of the property and tax characteristics provided by the taxpayer. *This review does not constitute an audit, examination, or assurance engagement,* and does not independently verify the taxpayer-provided inputs.

Based on this review, the key assumptions underlying the study appear reasonable: the §168(k) bonus rate applied is consistent with the phase-down schedule in effect at the property's placed-in-service date; the asset class allocation is consistent with industry-standard residential rental cost segregation practice; and the methodology cited (Residual Estimation Approach with Cost Estimation Using Industry Databases) is an ATG-recognized approach.

17 · B Items the Taxpayer Should Confirm with Their Preparer Before Filing

1. **Activity classification (Active vs. Passive) under §469.**

   Real estate professional status (REPS) or short-term rental with material participation is required for current-year loss recognition without §469 limitation. If the activity is passive, current-year deductions may be limited and carried forward.

2. **§179 election eligibility & the active-trade-or-business income limitation.**

   Confirm before claiming the §179 bucket. Passive investors do not benefit from §179. The §179 cap and active-trade limitation apply at the taxpayer level, not the property level.

3. **State filing & §168(k) addback rules.**

   Apply the state-specific addback schedule for the placed-in-service state — see § 11 State Conformity and the State Adjusted Depreciation Schedule for the federal-vs-state timing reconciliation. Confirm any state §179 cap that may differ from the federal cap.

4. **Basis & at-risk limitations under §§465, 1366.**

   Deductibility of any resulting loss is limited to the taxpayer's adjusted basis and at-risk amount in the activity. Confirm the taxpayer's basis schedule before applying the Year 1 deduction shown in the Tax Impact Summary.

REVIEWED BY

Limited-Scope Reviewer

JUNE 26, 2026

Limited-scope reasonableness review per AR-C §60. Not an audit, examination, or assurance engagement.

ENGAGEMENT REFERENCE

CSL-CPA-SCN-SAMPLE-313-NC-CPA

STUDY DATE JUNE 26, 2026 · PIS MAY 20, 2025

Property: White Plains, NY · **Taxpayer:** Demo Holdings LLC · **Tier:** CPA-Verified

● CPA-VERIFIED

APX D

Allocation Method Tables

MODELED — ARCHETYPE RESIDUAL REFERENCE

These percentages are a modeled archetype-residual reference, not the taxpayer's asserted allocation. Each percentage represents the share of the class basis a component would carry under the Residual Estimation Approach (ATG Ch. 4) with Cost Estimation Using Industry Databases, calibrated to the property archetype and the building grade declared in § 7 Property Details. They are reproduced for reviewer transparency and do not override any taxpayer-provided actuals in § 8·B.

D·1 5-Year Personal Property — Within-Class Allocation

$163,200 · 12.0% OF BASIS · IRS CLASS 57.0

IRS CLASS	COMPONENT	SOURCE	WITHIN-CLASS %	ALLOCATED $	METHOD
57.0	Appliances	Modeled — Archetype Library	5.9%	$9,628.80	200% DB
57.0	Appliance Wiring	Modeled — Archetype Library	5.6%	$9,139.20	200% DB
57.0	Kitchen Cabinets & Countertops	Modeled — Archetype Library	45.3%	$73,929.60	200% DB
57.0	Kitchen & Appliance Plumbing	Modeled — Archetype Library	7.8%	$12,729.60	200% DB
57.0	Blinds & Curtains	Modeled — Archetype Library	3.4%	$5,548.80	200% DB
57.0	Removable Flooring	Modeled — Archetype Library	19.8%	$32,313.60	200% DB
57.0	Decorative Lighting	Modeled — Archetype Library	2.7%	$4,406.40	200% DB
57.0	Furniture & Fixtures (Asset Class 57.0)	Modeled — Archetype Library	7.5%	$12,240	200% DB
57.0	Specialty Technology / A/V	Modeled — Archetype Library	2.0%	$3,264	200% DB

D·2 15-Year Land Improvements — Within-Class Allocation

$81,600 · 6.0% OF BASIS · IRS CLASS 00.3

IRS CLASS	COMPONENT	SOURCE	WITHIN-CLASS %	ALLOCATED $	METHOD
00.3	Landscaping	Modeled — Archetype Library	35.0%	$28,560	150% DB
00.3	Paving & Driveways	Modeled — Archetype Library	30.0%	$24,480	150% DB
00.3	Fencing	Modeled — Archetype Library	15.0%	$12,240	150% DB
00.3	Site Lighting	Modeled — Archetype Library	10.0%	$8,160	150% DB
00.3	Outdoor Structures	Modeled — Archetype Library	10.0%	$8,160	150% DB

Calibration source. Percentages above are a modeled archetype-residual reference derived from a curated industry-standard cost segregation database, blended with RSMeans component-cost references. The library is reviewed periodically against published cost data; the version in effect at study preparation is recorded in the `model_version` footer of every page.

● CPA-VERIFIED

APX D (cont.)

Allocation · 27.5-Year Residential & §179

RESIDUAL + IMMEDIATE-EXPENSE ELECTION

D·3 27.5-Year Residential Rental — Within-Class Allocation

$1,115,200 · 82.0% OF BASIS · IRS CLASS 45.0

IRS CLASS	COMPONENT	SOURCE	WITHIN-CLASS %	ALLOCATED $	METHOD
45.0	Building Shell & Foundation	Modeled — Archetype Library	23.0%	$256,496	SL · MM
45.0	Roof Structure	Modeled — Archetype Library	7.5%	$83,640	SL · MM
45.0	Roof Covering	Modeled — Archetype Library	5.0%	$55,760	SL · MM
45.0	Interior Partitions & Ceilings	Modeled — Archetype Library	33.0%	$368,016	SL · MM
45.0	Doors	Modeled — Archetype Library	2.5%	$27,880	SL · MM
45.0	Windows	Modeled — Archetype Library	3.0%	$33,456	SL · MM
45.0	Bathroom Vanities	Modeled — Archetype Library	1.2%	$13,382.40	SL · MM
45.0	Other Permanent Flooring	Modeled — Archetype Library	9.5%	$105,944	SL · MM
45.0	Plumbing — Bathroom Fixtures	Modeled — Archetype Library	4.0%	$44,608	SL · MM
45.0	Plumbing — Water & Waste Utility	Modeled — Archetype Library	1.4%	$15,612.80	SL · MM
45.0	Electrical Service & Wiring	Modeled — Archetype Library	7.2%	$80,294.40	SL · MM
45.0	Permanent Lighting	Modeled — Archetype Library	1.4%	$15,612.80	SL · MM
45.0	HVAC System	Modeled — Archetype Library	1.1%	$12,267.20	SL · MM
45.0	Fire Protection	Modeled — Archetype Library	0.2%	$2,230.40	SL · MM

D·4 §179 Immediate-Expense Election

$0 · 0.0% OF BASIS · §179(a)

The §179 bucket is the qualifying personal-property carve-out the taxpayer elects to expense in Year 1 under §179(a), subject to the active-trade-or-business income limitation. The $0 allocation here represents the upper-bound election within the available 5-year property; the actual amount claimed must be further limited by the taxpayer's active business income for the year and by the §179 cap in effect at filing.

Reviewer note · §179 vs. §168(k). Where both elections are available, §179 is generally preferred for taxpayers with sufficient active income because it does not require the asset to remain on the §168(k) bonus schedule. Passive investors cannot use §179 and should rely on §168(k) bonus depreciation alone for the same components.

● CPA-VERIFIED

APX E·1

Full Depreciation · Without Cost Segregation

SL-27.5 BASELINE · 28-YEAR HORIZON

Year-by-year depreciation under the SL-27.5 residential rental baseline, with no cost segregation applied. Mid-month convention places the property in service May 20, 2025. The full $1,360,000 depreciable basis recovers ratably over 27.5 years.

YEAR	27.5-YR SL DEPR.	CUMULATIVE	BASIS REMAINING	FEDERAL SHIELD (37.0%)
2025 · PIS	$26,788	$26,788	$1,333,212	$9,912
2026	$49,455	$76,243	$1,283,757	$18,298
2027	$49,455	$125,698	$1,234,302	$18,298
2028	$49,455	$175,153	$1,184,847	$18,298
2029	$49,455	$224,608	$1,135,392	$18,298
2030	$49,455	$274,063	$1,085,937	$18,298
2031	$49,455	$323,518	$1,036,482	$18,298
2032	$49,455	$372,973	$987,027	$18,298
2033	$49,455	$422,428	$937,572	$18,298
2034	$49,455	$471,883	$888,117	$18,298
2035	$49,455	$521,338	$838,662	$18,298
2036	$49,455	$570,793	$789,207	$18,298
2037	$49,455	$620,248	$739,752	$18,298
2038	$49,455	$669,703	$690,297	$18,298
2039	$49,455	$719,158	$640,842	$18,298
2040	$49,455	$768,613	$591,387	$18,298
2041	$49,455	$818,068	$541,932	$18,298
2042	$49,455	$867,523	$492,477	$18,298
2043	$49,455	$916,978	$443,022	$18,298
2044	$49,455	$966,433	$393,567	$18,298
2045	$49,455	$1,015,888	$344,112	$18,298
2046	$49,455	$1,065,343	$294,657	$18,298
2047	$49,455	$1,114,798	$245,202	$18,298
2048	$49,455	$1,164,253	$195,747	$18,298
2049	$49,455	$1,213,708	$146,292	$18,298
2050	$49,455	$1,263,163	$96,837	$18,298
2051	$49,455	$1,312,618	$47,382	$18,298
2052	$47,382	$1,360,000	$0	$17,531
28-yr Total	$1,360,000	—	—	$503,200

● CPA-VERIFIED

APX E·2

Full Depreciation · With Cost Segregation

5-YR · 15-YR · §179 · 27.5-YR · W/ §168(K) BONUS

Year-by-year depreciation under the cost-segregation classifications. Year 1 stacks $163,200 of 5-year personal property + $81,600 of 15-year land improvements (both eligible for §168(k) at 100.0% bonus = $244,800 bonus deduction) + $0 of §179 expense + mid-month-convention 27.5-year recovery on the residual structural basis = **$270,145 first-year deduction**.

YEAR	5-YR	15-YR	§179	27.5-YR	TOTAL	CUMULATIVE
2025 · PIS	$163,200	$81,600	—	$25,345	$270,145	$270,145
2026	—	—	—	$40,553	$40,553	$310,698
2027	—	—	—	$40,553	$40,553	$351,251
2028	—	—	—	$40,553	$40,553	$391,804
2029	—	—	—	$40,553	$40,553	$432,357
2030	—	—	—	$40,553	$40,553	$472,910
2031	—	—	—	$40,553	$40,553	$513,463
2032	—	—	—	$40,553	$40,553	$554,016
2033	—	—	—	$40,553	$40,553	$594,569
2034	—	—	—	$40,553	$40,553	$635,122
2035	—	—	—	$40,553	$40,553	$675,675
2036	—	—	—	$40,553	$40,553	$716,228
2037	—	—	—	$40,553	$40,553	$756,781
2038	—	—	—	$40,553	$40,553	$797,334
2039	—	—	—	$40,553	$40,553	$837,887
2040	—	—	—	$40,553	$40,553	$878,440
2041	—	—	—	$40,553	$40,553	$918,993
2042	—	—	—	$40,553	$40,553	$959,546
2043	—	—	—	$40,553	$40,553	$1,000,099
2044	—	—	—	$40,553	$40,553	$1,040,652
2045	—	—	—	$40,553	$40,553	$1,081,205
2046	—	—	—	$40,553	$40,553	$1,121,758
2047	—	—	—	$40,553	$40,553	$1,162,311
2048	—	—	—	$40,553	$40,553	$1,202,864
2049	—	—	—	$40,553	$40,553	$1,243,417
2050	—	—	—	$40,553	$40,553	$1,283,970
2051	—	—	—	$40,553	$40,553	$1,324,523
2052	—	—	—	$35,477	$35,477	$1,360,000
28-yr Total	$163,200	$81,600	$0	$1,115,200	$1,360,000	—

● CPA-VERIFIED

APX F

50-State §168(k) Conformity Matrix

AS OF REPORT DATE · CONFIRM WITH STATE PREPARER

Each cell shows the state, its §168(k) bonus-depreciation conformity classification, and the top marginal individual income-tax rate sourced from the v6 model's 50-state conformity table. **Full** = state allows federal §168(k) bonus in full; **Partial** = state allows a fractional amount with addback recovery; **None** = state disallows §168(k); **No tax** = no individual income tax.

AK NO TAX 0%	AL FULL 5%	AR NONE 3.9%	AZ NONE 2.5%	CA NONE 13.3%
CO FULL 4.4%	CT NONE 6.99%	DC NONE 10.75%	DE FULL 6.6%	FL NO TAX 0%
GA NONE 5.19%	HI NONE 11%	IA FULL 3.8%	ID PARTIAL 5.3%	IL FULL 4.95%
IN NONE 3%	KS FULL 5.58%	KY NONE 4%	LA FULL 3%	MA NONE 9%
MD PARTIAL 6.5%	ME NONE 7.15%	MI PARTIAL 4.25%	MN PARTIAL 9.85%	MO FULL 4.7%
MS NONE 4.4%	MT FULL 5.9%	NC PARTIAL 4.25%	ND FULL 2.5%	NE FULL 5.2%
NH NO TAX 0%	NJ NONE 10.75%	NM FULL 5.9%	NV NO TAX 0%	NY NONE 10.9%
OH PARTIAL 3.125%	OK FULL 4.75%	OR FULL 9.9%	PA NONE 3.07%	RI NONE 5.99%
SC NONE 6%	SD NO TAX 0%	TN NO TAX 0%	TX NO TAX 0%	UT FULL 4.5%
VA NONE 5.75%	VT NONE 8.75%	WA NO TAX 0%	WI NONE 7.65%	WV FULL 4.82%
WY NO TAX 0%				

FULL CONFORMITY · PARTIAL / ADDBACK · NONE / DECOUPLED · NO INDIVIDUAL INCOME TAX

> **Reviewer caveat.** Conformity classifications and top marginal rates are sourced from the v6 model's 50-state table as of the study date. State legislatures revisit §168(k) conformity periodically; the taxpayer's preparer should confirm the rule in effect at the time of filing for any state with addback recovery.