REAL ESTATE COST SEGREGATION STUDY

Riverbend Commerce Center

Reviewed and signed for Baratelli CPA & Accounting, PLLC by Philip A. Baratelli, CPA on 11/21/2026

1400 Levee Road, Riverbend, Missouri | Placed in service 03/01/2026 | Prepared 11/21/2026

Prepared as tax work by Baratelli CPA & Accounting, PLLC and signed by a CPA. The study is engineering-based and follows the IRS Cost Segregation Audit Techniques Guide. The fee is fixed and was agreed in writing before the engagement began: it does not depend on the size of the reclassification or on any tax saving, because a contingency fee draws IRS skepticism and conflicts with the CPA contingent-fee rules.

Summary of findings

FINDING	AMOUNT
Purchase price	$4,200,000
Improvements since acquisition	$180,000
Land, not depreciable	$520,000
Depreciable basis	**$3,860,000**
Reclassified to short-life property	**$990,000 (25.6% of basis)**
Remaining in the 39-year structure class	$2,870,000 (74.4% of basis)
First-year deduction, at 100% bonus depreciation	**$990,000**
First-year tax saving, at a 37% marginal rate	**$366,300**
Property type	Nonresidential
Method	Engineering-based, per the IRS Cost Segregation Audit Techniques Guide
Inspection	3D Matterport scan on 03/14/2026

The study moves $990,000 of the $3,860,000 depreciable basis out of the 39-year structure class and into the five, seven and fifteen year classes. Bonus depreciation is available at 100% on those classes, so the whole reclassified amount is deductible in the first year, which is worth $366,300 at a 37% marginal rate. Without the study the same basis would be recovered straight line over 39 years, about $98,974 a year. The deductions are accelerated, not created: the same basis is recovered either way, and the benefit is the time value of taking it sooner, set against the recapture described at the end of this report.

Scope and procedures

The property is nonresidential real property placed in service on 03/01/2026. The depreciable basis of $3,860,000 is the purchase price less the land component, plus improvements: land is not depreciable and is excluded before any allocation is made.

Procedure: the building's cost was segregated into its components by direct engineering takeoff from the plans, specifications, closing statement, appraisal and fixed asset register, with unit costs drawn from the documents themselves where available and from RSMeans where they were not; each component was then assigned to its MACRS class under the rules the Audit Techniques Guide applies, personal property under section 1245 and land improvements under section 1250; the remainder was left in the 39-year structure class rather than allocated, so that the structure class absorbs any component not positively identified.

Inspection: 3D Matterport scan, performed on 03/14/2026 (a dimensioned walkthrough the surveyors work from). An engineering-based study rests on an inspection; a study without one is a cost estimate and should not be described as engineering-based.

This report is prepared for the owner and the owner's tax preparer. It supports the depreciation positions taken on the return and the documentation an examiner would ask for. It is not an appraisal, it does not value the property, and it does not opine on the purchase price or on any financing.

Component allocation

CLASS	RECOVERY PERIOD	AMOUNT	% OF BASIS
5-year personal property	5 years	$430,000	11.1%
7-year personal property	7 years	$165,000	4.3%
15-year land improvements	15 years	$395,000	10.2%
39-year nonresidential structure	**39 years**	**$2,870,000**	**74.4%**
Depreciable basis		**$3,860,000**	**100.0%**
Land (not depreciable, not reclassified)	-	$520,000	-
Total capitalized cost		**$4,380,000**	

Short-life property is $990,000, or 25.6% of basis. Engineering-based studies on this kind of property usually land between 20% and 35%, and this one does.

The table ties to the price paid. The depreciable basis of $3,860,000 plus land of $520,000 is $4,380,000, against a purchase price of $4,200,000 and improvements since acquisition of $180,000: $4,380,000 capitalized in all. Land carries no recovery period and is never reclassified, so it sits beneath the classes for the reconciliation and takes no part in the allocation percentages above.

Supporting components

COMPONENT	CLASS	COST	SOURCE
Carpet, vinyl plank and specialty flooring	5-year personal property	$148,000	plans and invoices
Decorative lighting and dedicated power to tenant equipment	5-year personal property	$182,000	electrical plans
Removable partitions and millwork	5-year personal property	$100,000	RSMeans
Office furniture, fixtures and equipment, movable (asset class 00.11)	7-year personal property	$165,000	fixed asset register
Site paving, curbs and striping	15-year land improvements	$240,000	appraisal and plans
Landscaping, irrigation and site lighting	15-year land improvements	$155,000	plans
6 components listed		**$990,000**	

Each component above is supported by the document named beside it. Components identified during the takeoff but not separately costed are left in the structure class rather than estimated.

Depreciation schedule

Short-life classes run the GDS half-year tables: 200% declining balance for the five and seven year classes and 150% for the fifteen. The structure class is straight line over 39 years under the mid-month convention: the month the property is placed in service counts as half a month, so the first and last years of that column are partial. Bonus depreciation of 100% is taken in year one on the short-life classes only; the structure class is never eligible for it.

YEAR	5-YR	7-YR	15-YR	39-YR	TOTAL
1	$430,000	$165,000	$395,000	$58,259	**$1,048,259**
2	-	-	-	$73,590	**$73,590**
3	-	-	-	$73,590	**$73,590**
4	-	-	-	$73,590	**$73,590**
5	-	-	-	$73,590	**$73,590**
6	-	-	-	$73,590	**$73,590**
7	-	-	-	$73,590	**$73,590**
8	-	-	-	$73,590	**$73,590**
9	-	-	-	$73,590	**$73,590**
10	-	-	-	$73,590	**$73,590**
11	-	-	-	$73,590	**$73,590**
12	-	-	-	$73,590	**$73,590**
13	-	-	-	$73,590	**$73,590**
14	-	-	-	$73,590	**$73,590**
15	-	-	-	$73,590	**$73,590**
16	-	-	-	$73,590	**$73,590**
17	-	-	-	$73,590	**$73,590**
18	-	-	-	$73,590	**$73,590**
19	-	-	-	$73,590	**$73,590**
20	-	-	-	$73,590	**$73,590**
21	-	-	-	$73,590	**$73,590**
22	-	-	-	$73,590	**$73,590**
23	-	-	-	$73,590	**$73,590**
24	-	-	-	$73,590	**$73,590**
25	-	-	-	$73,590	**$73,590**
26	-	-	-	$73,590	**$73,590**
27	-	-	-	$73,590	**$73,590**
28	-	-	-	$73,590	**$73,590**
29	-	-	-	$73,590	**$73,590**
30	-	-	-	$73,590	**$73,590**
31	-	-	-	$73,590	**$73,590**
32	-	-	-	$73,590	**$73,590**
33	-	-	-	$73,590	**$73,590**
34	-	-	-	$73,590	**$73,590**

YEAR	5-YR	7-YR	15-YR	39-YR	TOTAL
35	-	-	-	$73,590	**$73,590**
36	-	-	-	$73,590	**$73,590**
37	-	-	-	$73,590	**$73,590**
38	-	-	-	$73,590	**$73,590**
39	-	-	-	$73,590	**$73,590**
40	-	-	-	$15,331	**$15,331**
Total	**$430,000**	**$165,000**	**$395,000**	**$2,870,000**	**$3,860,000**

Total deductions over the schedule are $3,860,000 against a depreciable basis of $3,860,000. The schedule recovers the basis and no more; what the study changes is when.

Depreciation recapture

The reclassified components are section 1245 property. On a later disposition, gain is recaptured as ordinary income to the extent of the depreciation taken on them, rather than at the capital gain rate, and the fifteen-year land improvements are section 1250 property carrying their own recapture treatment. An owner who expects to sell within a few years should weigh the first-year saving of $366,300 against that recapture; an owner holding the property, or disposing of it in a like-kind exchange or at death, is in a different position. This study accelerates deductions. It does not create them, and it does not decide whether taking them sooner is the right answer for this owner.

Basis of preparation and limitations

The figures in this report rest on the documents listed in the scope section and on the inspection recorded above. Where a document was not available, the affected cost was left in the 39-year structure class rather than estimated, which understates the reclassification rather than overstating it.

Bonus depreciation is shown at 100% and the marginal rate at 37%. Both are inputs, not findings: the rate is the owner's and the bonus percentage depends on the date the property was placed in service and on the law in force then. Bonus depreciation at 100% applies to property acquired after January 19, 2025; this property was acquired on 02/18/2026. Confirm both with the preparer before the return is filed.

This report is tax work product. It is not an appraisal, not a valuation, not investment advice, and not a legal opinion on the owner's entitlement to any deduction. The positions it supports are taken on the owner's return by the owner's preparer.

Review and sign-off

This study was reviewed item by item against the documents and the inspection record (7 items: independence, the depreciable basis, the dates and property type, the component allocation, the supporting components, the inspection, and the bonus and rate assumptions) and signed for Baratelli CPA & Accounting, PLLC by Philip A. Baratelli, CPA on 11/21/2026. Review reference 57B9B8689B822D6C. A change to any figure after sign-off returns the study to draft until it is reviewed and signed again.