QuickSeg

Cost Segregation Study

123 Main St

PREPARED FOR	John Doe
REPORT DATE	June 16, 2026
REPORT ID	QS-2026-06-0200

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SECTION 1

Executive Summary

Conclusion of Findings

Based on the analysis performed, portions of the subject property's depreciable basis have been reclassified from 27.5-year residential rental property to shorter recovery periods in accordance with applicable IRS guidance.

This reclassification accelerates depreciation deductions relative to standard residential rental depreciation while maintaining full reconciliation to the property's total depreciable basis.

BASIS RECLASSIFICATION SUMMARY

ASSET CLASS	WITHOUT COST SEG	WITH COST SEG	CHANGE
5-Year Property	$0.00	$23,315.37	+$23,315.37
15-Year Property	$0.00	$37,416.14	+$37,416.14
27.5-Year Property	$507,293.95	$446,562.44	$-60,731.51
Total	**$507,293.95**	**$507,293.95**	**$0.00**

Total Basis Before = Total Basis After

ALLOCATION OVERVIEW

ACQUISITION COST
$600,000.00

+

CAPITAL IMPROVEMENTS
$27,293.95

=

TOTAL BASIS
$627,293.95

−

LAND VALUE
$120,000.00

=

DEPRECIABLE BASIS
$507,293.95

Total depreciable basis reconciles to allocated asset classes in Section 4.

YEAR 1 DEPRECIATION COMPARISON

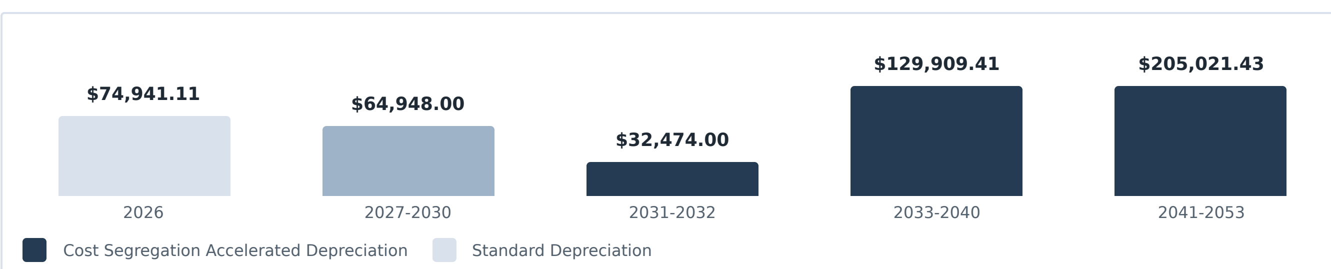
WITHOUT COST SEGREGATION
(27.5-Year Straight-Line Only)
$16,142.09

WITH COST SEGREGATION
No bonus depreciation elected
$20,743.49

WITH COST SEGREGATION
Bonus depreciation elected
$74,941.11

This comparison illustrates the impact of asset reclassification and bonus depreciation election on first-year depreciation deductions. Actual tax impact depends on taxpayer-specific circumstances.

PROJECTED DEPRECIATION OVER 27.5 YEARS



SECTION 2

Property Overview

PROPERTY DETAILS

PROPERTY ADDRESS
123 Main St

PROPERTY TYPE
SFR

RENTAL TYPE
Long-Term Rental

SQUARE FOOTAGE
2,581 sq. ft.

PROPERTY QUALITY
Average Standard

PROPERTY OWNER
John Doe

PURCHASE & TAX DETAILS

PLACED IN SERVICE DATE
February 17, 2026

PROPERTY ACQUISITION DATE
February 10, 2025

ACQUISITION COST
$600,000.00

LAND VALUE
$120,000.00

REPLACEMENT COST
$284,476.67

CONVENTION
Half-Year

BONUS ELECTION
Yes

BONUS DEPRECIATION RATE
100%

SECTION 3

Methodology

Purpose and Scope

This Cost Segregation Study was prepared to identify and classify the depreciable components of the subject property in accordance with U.S. federal income tax law and applicable Internal Revenue Service (IRS) guidance.

The study applies generally accepted cost segregation principles to determine appropriate recovery periods under the Modified Accelerated Cost Recovery System (MACRS). The methodology is designed to be reasonable, supportable, and appropriate for the subject property type.

Cost Basis and Depreciable Basis Determination

The analysis begins with the total acquisition cost of the property as provided by the taxpayer.

An estimate of non-depreciable land value is segregated from the acquisition cost. Land is not depreciable for federal income tax purposes.

The resulting depreciable basis serves as the control total for all allocations within this study.

Depreciable Basis is defined as: Acquisition Cost less Non-depreciable Land Value

Replacement Cost New (RCN)

Replacement Cost New (RCN) represents the estimated cost, as of the placed-in-service date, to construct a property of similar utility and quality to the subject property.

RCN provides the engineering foundation for asset-level cost modeling.

- Property-specific characteristics (size, construction type, quality, condition)
- Industry-standard construction cost references
- Geographic cost indices
- Typical residential construction practices

Replacement Cost New Less Depreciation (RCNLD)

Replacement Cost New Less Depreciation (RCNLD) reflects the adjusted cost of property components as of the placed-in-service date.

RCNLD serves as the intermediate value used to align engineering estimates to market-consistent as-acquired conditions.

- Physical depreciation
- Normal wear consistent with property age and condition
- Market-based depreciation factors where applicable

Asset Classification and Allocation

After RCNLD is established, components are classified into appropriate recovery periods using tax classification principles and functional-use analysis.

Components are assigned to 27.5-year residential rental property, 15-year land improvements, 5-year personal property, or non-depreciable land, consistent with applicable IRS guidance, including distinctions between Section 1245 property, land improvements, and Section 1250 building components.

Allocation Methodology

When direct cost segregation is not available for every component, a proportional allocation methodology is used to reconcile RCNLD totals to the property's depreciable basis.

This methodology applies a uniform allocation factor to each component's RCNLD so that the sum of allocated costs equals the report control basis, while preserving relative component values.

Summary of Methodological Support

The methodology used in this report is intended to be reasonable, internally consistent, and supportable based on the facts available at the time of the study.

Final tax positions, depreciation methods, lives, conventions, and elections remain subject to review by the taxpayer's tax advisor and any applicable taxing authorities.

SECTION 4

Asset Class Allocation Summary

The following table summarizes the allocation of the total depreciable basis across applicable recovery periods.

Allocated Cost represents the reconciled depreciable basis assigned to each asset class in accordance with the methodology described in this report.

BASIS RECONCILIATION

Acquisition Cost	$600,000.00
Less: Land Value	($120,000.00)
Depreciable Basis	**$480,000.00**
Plus: Post-Purchase Capitalized Assets	$27,293.95
Allocation Basis Total	**$507,293.95**
Total Allocated Cost	$507,293.95
Difference	**$0.00**

ASSET CLASS	ALLOCATED COST	% OF BASIS	RECOVERY PERIOD
Residential Rental Property	$446,562.44	88.0%	27.5 Years
Land Improvements	$37,416.14	7.4%	15 Years
Personal Property	$23,315.37	4.6%	5 Years
Land	$120,000.00	—	Non-Depreciable
Total	**$627,293.95**	**100.0%**	

Total Allocated Cost reconciles to Depreciable Basis of $480,000.00, derived from acquisition cost less land value.

ALLOCATION BREAKDOWN

SECTION 5

27.5-Year Property Detail

Residential Rental Property (Section 1250)

ENGINEERING COST MODEL AND BASIS ALLOCATION

This section details the structural building components classified as 27.5-year residential rental property. These assets include the building structure, permanent interior fixtures, mechanical systems, and general construction costs.

TABLE LEGEND

RCN - Estimated replacement cost new of the component.

RCNLD - Replacement cost adjusted for age and condition as of the placed-in-service date.

Allocation Factor - Proportional scaling factor used to reconcile RCNLD totals to the property's depreciable basis.

Allocated Cost - Depreciable basis assigned to the component using the proportional allocation methodology described in Section 3.

DESCRIPTION	RCN	RCNLD	ALLOC. FACTOR	ALLOCATED COST
ORIGINAL FEATURES				
MECHANICAL & UTILITY				
Plumbing Rough-in	$15,485.52	$15,485.52	6.1%	**$29,302.73**
Wiring	$9,704.76	$9,704.76	3.8%	**$18,363.99**
Central Heating and Cooling	$17,422.70	$17,422.70	6.9%	**$32,968.39**
PERMANENT INTERIOR FIXTURES				
Finish Carpentry	$8,336.29	$8,336.29	3.3%	**$15,774.48**
Lighting Fixtures	$3,985.41	$3,985.41	1.6%	**$7,541.46**
Painting	$12,982.05	$12,982.05	5.1%	**$24,565.50**
Cabinets	$13,194.30	$13,194.30	5.2%	**$24,967.13**
Countertops	$5,169.14	$5,169.14	2.0%	**$9,781.39**
STRUCTURE & SHELL				
Foundation, Piers, Flatwork	$21,782.82	$21,782.82	8.6%	**$41,218.90**

DESCRIPTION	RCN	RCNLD	ALLOC. FACTOR	ALLOCATED COST
Insulation	$6,849.33	$6,849.33	2.7%	**$12,960.76**
Rough Hardware	$1,756.28	$1,756.28	0.7%	**$3,323.35**
Framing	$41,917.24	$41,917.24	16.5%	**$79,318.60**
Exterior Finish	$17,903.20	$17,903.20	7.1%	**$33,877.63**
Exterior Trim	$3,046.37	$3,046.37	1.2%	**$5,764.54**
Doors	$6,846.11	$6,846.11	2.7%	**$12,954.66**
Windows	$5,449.49	$5,449.49	2.2%	**$10,311.89**
Roofing, Soffit, Fascia	$22,673.07	$22,673.07	8.9%	**$42,903.49**
Interior Wall Finish	$17,261.60	$17,261.60	6.8%	**$32,663.55**
CAPITAL IMPROVEMENTS				
HVAC	$8,000.00	$8,000.00	100.0%	**$8,000.00**
Original Features Subtotal	**$231,765.68**	**$231,765.68**	**98.2%**	**$438,562.44**
Capital Improvements Subtotal	**$8,000.00**	**$8,000.00**	**1.8%**	**$8,000.00**
Total	**$239,765.68**	**$239,765.68**	**100.0%**	**$446,562.44**

SECTION 5

15-Year Property Detail

Land Improvements (Section 1245)

ENGINEERING COST MODEL AND BASIS ALLOCATION

This section details exterior site improvements and land-related assets that qualify for 15-year recovery. These assets typically include pools, spas, flatwork, fencing, landscaping, irrigation, and other outdoor improvements.

TABLE LEGEND

RCN - Estimated replacement cost new of the component.

RCNLD - Replacement cost adjusted for age and condition as of the placed-in-service date.

Allocation Factor - Proportional scaling factor used to reconcile RCNLD totals to the property's depreciable basis.

Allocated Cost - Depreciable basis assigned to the component using the proportional allocation methodology described in Section 3.

DESCRIPTION	RCN	RCNLD	ALLOC. FACTOR	ALLOCATED COST
ORIGINAL FEATURES				
SITE & EXTERIOR HARDSCAPE				
Pool/Spa	$21,064.81	$12,638.89	5.0%	**$23,916.14**
CAPITAL IMPROVEMENTS				
Fence	$12,000.00	$12,000.00	100.0%	**$12,000.00**
Landscaping	$1,500.00	$1,500.00	100.0%	**$1,500.00**
Original Features Subtotal	**$21,064.81**	**$12,638.89**	**63.9%**	**$23,916.14**
Capital Improvements Subtotal	**$13,500.00**	**$13,500.00**	**36.1%**	**$13,500.00**
Total	**$34,564.81**	**$26,138.89**	**100.0%**	**$37,416.14**

SECTION 5

5-Year Property Detail

Personal Property (Section 1245)

ENGINEERING COST MODEL AND BASIS ALLOCATION

This section details assets that qualify for a 5-year recovery period under Section 1245. These include appliances, electronics, decorative fixtures, and other items with a shorter recovery period than the building itself.

TABLE LEGEND

RCN - Estimated replacement cost new of the component.

RCNLD - Replacement cost adjusted for age and condition as of the placed-in-service date.

Allocation Factor - Proportional scaling factor used to reconcile RCNLD totals to the property's depreciable basis.

Allocated Cost - Depreciable basis assigned to the component using the proportional allocation methodology described in Section 3.

DESCRIPTION	RCN	RCNLD	ALLOC. FACTOR	ALLOCATED COST
ORIGINAL FEATURES				
FINISHES & FURNISHINGS				
Carpet, Flooring	$15,888.74	$0.00	0.0%	**$0.00**
Built In Appliances	$3,974.16	$0.00	0.0%	**$0.00**
PERMANENT INTERIOR FIXTURES				
Bath Accessories	$1,671.38	$1,169.97	0.5%	**$2,213.89**
Shower & Tub Enclosures	$1,776.38	$1,421.10	0.6%	**$2,689.11**
Plumbing Fixtures	$8,335.52	$6,668.42	2.6%	**$12,618.42**
CAPITAL IMPROVEMENTS				
LG French Door Refrigerator Lfds22520s	$1,695.00	$1,695.00	100.0%	**$1,695.00**
Sharp SMD3070A 30 In. 1.2 Cu. Ft. 950w Microwave Drawer	$1,599.00	$1,599.00	100.0%	**$1,599.00**
Samsung 51-Bottle Capacity Wine Cooler RW51TS338SR	$1,619.99	$1,619.99	100.0%	**$1,619.99**

DESCRIPTION	RCN	RCNLD	ALLOC. FACTOR	ALLOCATED COST
August Wi-Fi Smart Lock	$399.98	$399.98	100.0%	**$399.98**
Google Nest Learning Thermostat with Nest Temperature Sensor	$479.98	$479.98	100.0%	**$479.98**
Original Features Subtotal	**$31,646.18**	**$9,259.49**	**75.1%**	**$17,521.42**
Capital Improvements Subtotal	**$5,793.95**	**$5,793.95**	**24.9%**	**$5,793.95**
Total	**$37,440.13**	**$15,053.44**	**100.0%**	**$23,315.37**

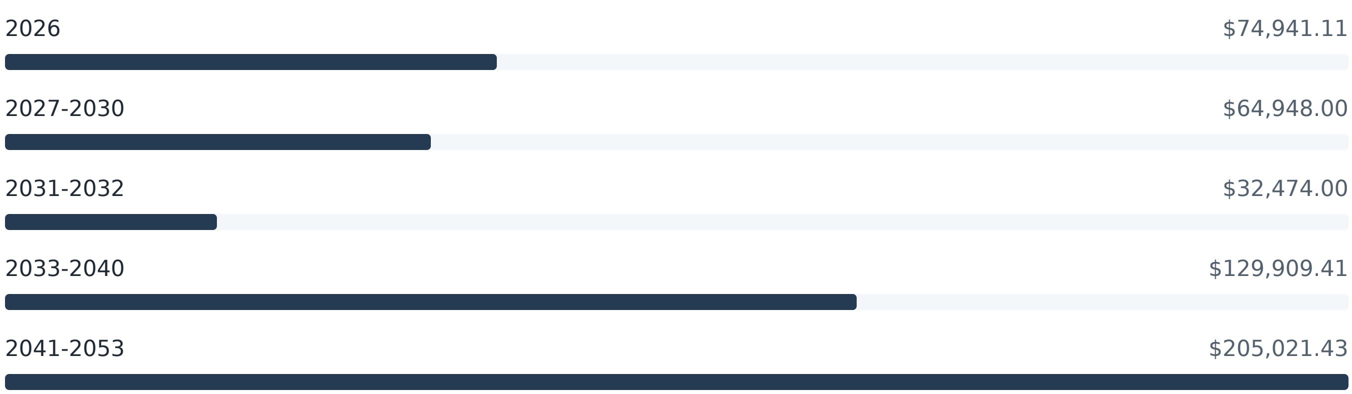
SECTION 6

Depreciation Summary

The following table provides a high-level summary of total depreciation expense by period. This view is designed for quick reference and planning purposes. The full year-by-year depreciation schedule follows on the subsequent page.

PERIOD	TOTAL DEPRECIATION	% OF DEPRECIABLE BASIS
2026	$74,941.11	14.8%
2027-2030	$64,948.00	12.8%
2031-2032	$32,474.00	6.4%
2033-2040	$129,909.41	25.6%
2041-2053	$205,021.43	40.4%
Total	**$507,293.95**	**100.0%**

DEPRECIATION BY PERIOD



The totals presented above reconcile directly to the detailed annual depreciation schedule provided in Section 7.

SECTION 7

Annual MACRS Depreciation Schedule

The following schedule presents the annual depreciation expense for each asset class over the full recovery period under MACRS. Values are rounded to the nearest dollar.

TAX YEAR	5-YEAR	7-YEAR	15-YEAR	27.5-YEAR	TOTAL
2026	$23,315.37	—	$37,416.14	$14,209.60	**$74,941.11**
2027	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2028	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2029	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2030	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2031	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2032	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2033	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2034	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2035	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2036	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2037	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2038	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2039	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2040	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2041	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2042	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2043	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2044	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2045	$0.00	—	$0.00	$16,241.47	**$16,241.47**

TAX YEAR	5-YEAR	7-YEAR	15-YEAR	27.5-YEAR	TOTAL
2046	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2047	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2048	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2049	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2050	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2051	$0.00	—	$0.00	$16,241.47	**$16,241.47**
2052	$0.00	—	$0.00	$16,237.00	**$16,237.00**
2053	$0.00	—	$0.00	$10,150.61	**$10,150.61**
Total	**$23,315.37**	**—**	**$37,416.14**	**$446,562.44**	**$507,293.95**

SECTION 8

Assumptions & Disclaimer

Assumptions

1. The property acquisition cost and land value were provided by the taxpayer and are assumed to be accurate and representative of the actual transaction consideration.
2. Replacement Cost New (RCN) estimates are based on industry-standard construction cost data, adjusted for property-specific characteristics, geographic location, and current market conditions as of the placed-in-service date.
3. Physical depreciation adjustments to derive RCNLD reflect normal wear and deterioration consistent with the reported age, condition, and quality of the property.
4. Asset classifications are based on the functional use and permanency of each component, consistent with applicable IRS guidance and prevailing case law at the time of this report.
5. The property is assumed to be used in a qualifying trade, business, or income-producing activity.
6. Tax savings estimates are based on the marginal tax rate of 37% as provided by the taxpayer and do not account for state taxes, AMT, phase-outs, or other taxpayer-specific attributes.

Limitations

This study is prepared for tax reporting purposes only and should not be used for any other purpose. The allocations and classifications herein are based on information available at the time of preparation and may be subject to change based on future IRS rulings, regulations, or case law. This report does not constitute legal or tax advice. The taxpayer should consult with a qualified tax advisor regarding the application of these results to their specific tax situation.

Reliance

In preparing this study, we have relied upon information provided by the property owner and/or their representatives, including but not limited to acquisition cost, property characteristics, acquisition date, and land value. We have not performed an independent verification of this information and assume no responsibility for its accuracy. This study is intended solely for the use of the addressee and their tax advisors in connection with their federal income tax return.