

Case Studies

Energy Tax Certification



An energy tax certification of a new office complex with energy efficiency assets installed provided a \$58,000 179D tax deduction as the 40,000 sq. ft. office building qualified for a \$1.45 tax deduction per the Energy Policy Act guidelines. The Cost Segregation Study, in conjunction with the energy study, produced a 33% reclassification of 39 Year depreciation class life assets. The client realized a first year tax benefit of \$185,000. The five year cash benefit achieved by recouping the 33% of the building assets over a shorter period of time resulted in a cash benefit of \$655,768.

Asset Class	Asset Life	Original Allocation	Original Allocation	Allocation After CSS	Allocation After CSS
Energy Tax 179D	179D Deduction	\$ -	0.0%	\$ 58,000	1.00%
Personal Prop.	5-year. 200% db	\$ -	0.0%	\$ 1,345,500	15.00%
Personal Prop.	7-year. 200% db	\$ -	0.0%	\$ -	0.00%
Land Improvements	15-year 150% db	\$ -	0.0%	\$ 1,552,500	17.00%
Real Prop. in yrs.	39	\$ 9,000,000	100.0%	\$ 6,102,000	67.00%
Real & Personal Property		\$ 9,000,000		\$ 9,000,000	100.0%
Total Cost		\$ 9,000,000		\$ 9,000,000	100.0%

The Benefit

Year of Study	Year	Tax Savings from Change in Depreciation	Discount Factor	NPV of Deferred Taxes	Accumulative NPV
1	2007	\$ 185,000	100.00%	\$ 185,000	\$ 185,000
2	2008	\$ 216,608	95.24%	\$ 206,293	\$ 391,297
3	2009	\$ 136,210	90.70%	\$ 123,546	\$ 514,839
4	2010	\$ 86,068	86.38%	\$ 74,349	\$ 589,186
5	2011	\$ 80,931	82.27%	\$ 66,582	\$ 655,768