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ASCEND TAX GROUP

Engineering Division | Austin, TX

# Cost Segregation Study

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## ■ SAMPLE REPORT

Property Address	123 Main Street, Austin, TX 78701
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Property Type	Residential Rental Duplex
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Purchase Price	\$685,000
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Study Date	February 2026
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Prepared by:

Ascend Tax Group

Engineering Division

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This document is a sample report. Actual results vary based on property specifics.

# Executive Summary

Ascend Tax Group conducted an engineering-based cost segregation study of the residential rental duplex located at 123 Main Street, Austin, TX 78701. The objective of this study is to identify and reclassify building components into shorter depreciable life categories as permitted under the Modified Accelerated Cost Recovery System (MACRS), maximizing the property owner's tax benefit through accelerated depreciation deductions.

## Property Overview

Property Address	123 Main Street, Austin, TX 78701
Property Type	Residential Rental Duplex
Purchase Price	\$685,000
Land Value	\$137,000
Depreciable Basis	\$548,000
Date Acquired	January 15, 2026
Date Placed in Service	February 1, 2026

## Key Findings

Our engineering analysis identified 28% of the depreciable basis — totaling \$153,440 — that qualifies for reclassification to shorter-lived asset categories (5-year, 7-year, and 15-year property). This reclassification, combined with 100% bonus depreciation restored under the One Big Beautiful Bill Act of 2025, delivers significant first-year tax savings.

<b>\$153,440</b> Accelerated Depreciation	<b>\$56,773</b> Estimated Year 1 Tax Savings
<b>28%</b> Basis Reclassified	<b>22.7X</b> Return on Study Investment

Note: Estimated tax savings calculated at the 37% marginal federal income tax rate. Actual savings depend on the taxpayer's specific tax situation, state taxes, and other factors.

# Depreciation Classification Summary

The following table summarizes the reclassification of the depreciable basis across MACRS recovery periods. Components were identified and classified based on a detailed engineering analysis in accordance with the IRS Cost Segregation Audit Techniques Guide.

Asset Classification	IRC Section	Amount	% of Basis	Description
5-Year Property	§1245	\$60,280	11%	Appliances, carpet, decorative fixtures, specialty lighting
7-Year Property	§1245	\$38,360	7%	Cabinets, countertops, window treatments
15-Year Property	§1250	\$54,800	10%	Landscaping, parking, sidewalks, fencing
27.5-Year Property	§1250	\$394,560	72%	Building structure, roof, foundation, HVAC
<b>Total Depreciable Basis</b>		<b>\$548,000</b>	<b>100%</b>	

## Asset Classification Breakdown

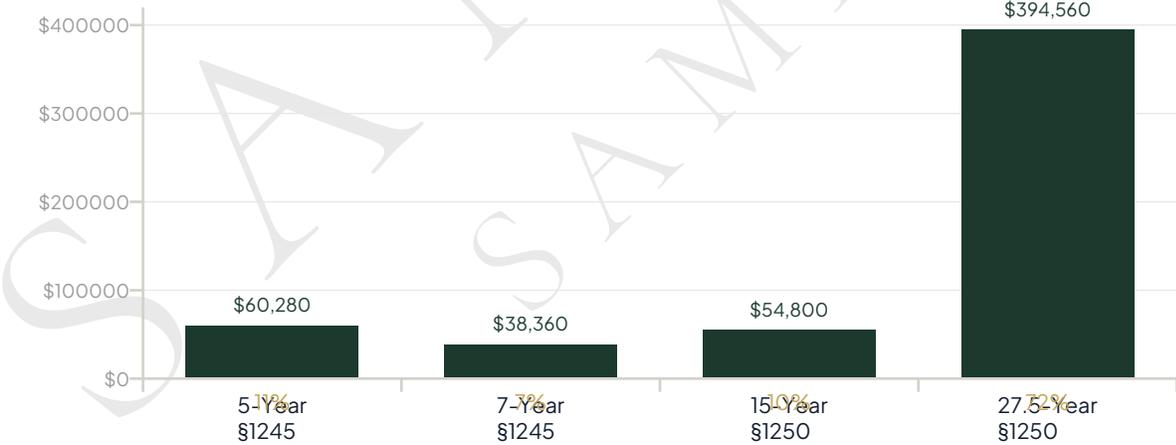


Figure 1: Distribution of depreciable basis across MACRS recovery periods. Accelerated components (5, 7, and 15-year) represent 28% of the depreciable basis.

# Detailed Component Analysis

The following table presents a partial listing of individual building components identified during our engineering analysis, classified by their appropriate MACRS recovery period.

Component	Qty	Unit Cost	Total	MACRS Class	Recovery
Refrigerators (residential grade)	2	\$1,850	\$3,700	§1245	5-Year
Ranges / Ovens	2	\$1,420	\$2,840	§1245	5-Year
Dishwashers	2	\$980	\$1,960	§1245	5-Year
Washer / Dryer units	2	\$2,100	\$4,200	§1245	5-Year
Carpet and pad — all units	1	\$8,400	\$8,400	§1245	5-Year
Vinyl plank flooring — kitchens/baths	1	\$6,280	\$6,280	§1245	5-Year
Decorative light fixtures	18	\$285	\$5,130	§1245	5-Year
Ceiling fans	6	\$340	\$2,040	§1245	5-Year
Window blinds / treatments	16	\$220	\$3,520	§1245	5-Year
Bathroom accessories (towel bars, etc.)	—	—	\$2,210	§1245	5-Year
Kitchen cabinets (upper and lower)	2 sets	\$8,900	\$17,800	§1245	7-Year
Bathroom vanity cabinets	4	\$1,240	\$4,960	§1245	7-Year
Countertops — granite	1	\$7,400	\$7,400	§1245	7-Year
Shelving / built-in storage	—	—	\$3,680	§1245	7-Year
Landscaping — trees and shrubs	1	\$12,400	\$12,400	§1250	15-Year
Paved driveway and parking area	1	\$18,600	\$18,600	§1250	15-Year
Concrete sidewalks / walkways	1	\$8,200	\$8,200	§1250	15-Year
Wood privacy fencing	1	\$9,600	\$9,600	§1250	15-Year
Exterior decorative lighting	8	\$380	\$3,040	§1250	15-Year

Note: Full component analysis contains 47 line items. This is an abbreviated sample showing representative components in each MACRS classification category. 27.5-year structural components are not individually listed above.

# Depreciation Schedule Comparison

The table below compares the annual depreciation deductions available under straight-line depreciation (without a cost segregation study) versus the accelerated depreciation achieved through this study, including 100% bonus depreciation on eligible components.

Year	Without Cost Seg	With Cost Seg	Difference	Cumulative Benefit
Year 1	\$19,927	\$173,367	\$153,440	\$153,440
Year 2	\$19,927	\$14,348	(\$5,579)	\$147,861
Year 3	\$19,927	\$14,348	(\$5,579)	\$142,282
Year 4	\$19,927	\$14,348	(\$5,579)	\$136,703
Year 5	\$19,927	\$14,348	(\$5,579)	\$131,124

Additional Year 1 Deduction: \$153,440

## Cumulative Depreciation Comparison (Years 1–5)

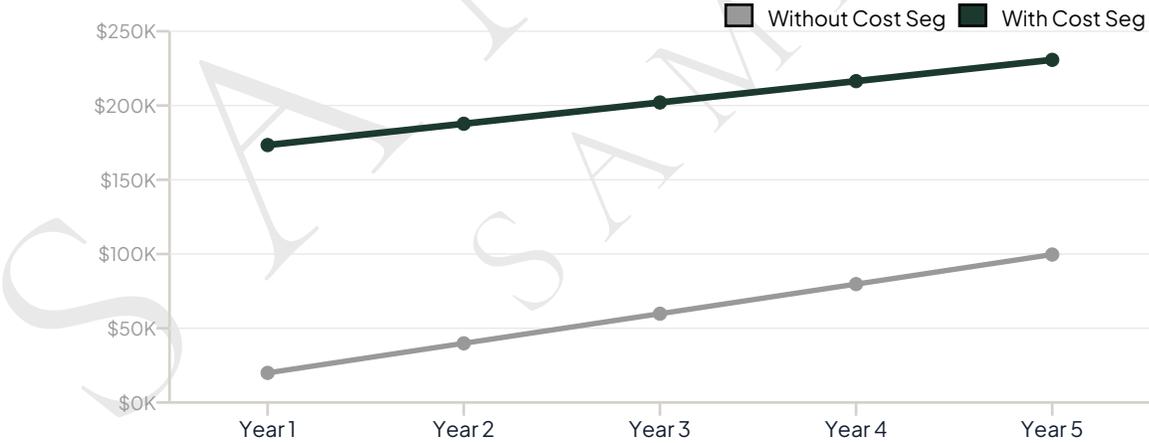


Figure 2: Cumulative depreciation deductions over the first five years. The cost segregation study front-loads \$153,440 of depreciation into Year 1, creating immediate tax savings.

Assumptions: Calculations assume 100% bonus depreciation is available under IRC §168(k), as restored by the One Big Beautiful Bill Act (OBBBA) of 2025. Half-year convention applied per IRS requirements. Year 1 figures reflect the full bonus depreciation allowance on eligible 5-year, 7-year, and 15-year property, plus straight-line depreciation on the remaining 27.5-year structural components ( $\$394,560 \div 27.5 = \$14,348/\text{year}$ ).

# Methodology & Compliance

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## Engineering-Based Approach

This cost segregation study was conducted using an engineering-based methodology, which is the approach specifically endorsed by the IRS in its Cost Segregation Audit Techniques Guide (ATG). Our methodology involves a detailed analysis of the property's construction documents, specifications, and physical components to identify and quantify assets eligible for accelerated depreciation.

## Study Methodology

- Document Review — Analysis of purchase agreements, closing statements, architectural plans, engineering specifications, and construction invoices.
- Site Inspection — Physical inspection of the property by a licensed professional engineer to identify and document building components, materials, and systems.
- Cost Estimation — Determination of component costs using recognized construction cost databases (RSMeans) and engineering cost estimating techniques.
- Asset Classification — Classification of identified components into appropriate MACRS recovery periods based on IRS guidelines, published rulings, and applicable case law.
- Quality Review — Multi-level review process including peer review by a second licensed engineer and tax review by qualified tax professionals.

## Regulatory Compliance

This study complies with all applicable IRS guidance and tax regulations:

- IRS Cost Segregation Audit Techniques Guide (ATG) — Engineering-based methodology per the 13 principal elements outlined in Chapter 4 of the ATG.
- Revenue Procedure 87-56 — MACRS class life and recovery period assignments per the official IRS asset classification guidelines.
- IRC §168(k) — Bonus Depreciation — 100% first-year bonus depreciation applied to eligible 5-year, 7-year, and 15-year property, as restored by the One Big Beautiful Bill Act (OBBBA) of 2025.
- IRC §1245 / §1250 — Proper categorization of tangible personal property (§1245) and real property improvements (§1250).
- Treasury Regulation §1.167(a)-11 — Asset Depreciation Range (ADR) system guidelines for class life determination.

## Audit-Ready Documentation

This report is designed to withstand IRS scrutiny. Every cost segregation study prepared by Ascend Tax Group includes the following audit-ready elements:

- Detailed component-by-component cost analysis with supporting calculations
- Photographic documentation of identified building components
- Reference to applicable IRS rulings, revenue procedures, and case law for each classification
- Clear methodology documentation meeting all 13 ATG principal elements
- Licensed professional engineer certification
- Comprehensive appendices with supporting data and cost references

# Qualifications & Disclaimer

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## About Ascend Tax Group

Ascend Tax Group is a specialized tax engineering firm headquartered in Austin, Texas. Our engineering division focuses exclusively on cost segregation studies, providing CPA firms and their clients with institutional-quality deliverables that maximize tax benefits while ensuring full regulatory compliance.

## Team Qualifications

- Licensed Professional Engineers (PE) — All studies are conducted under the supervision of licensed professional engineers with expertise in building systems and construction cost analysis.
- Certified Cost Segregation Professionals — Our team includes professionals certified by the American Society of Cost Segregation Professionals (ASCSP).
- Tax Advisory Integration — Our engineering analyses are reviewed by qualified tax professionals to ensure accuracy of MACRS classifications and compliance with current tax law.
- Continuing Education — Our team maintains current knowledge of IRS guidance, court decisions, and legislative changes affecting cost segregation practices.

## IRS Audit Support

Ascend Tax Group stands behind every study we produce. In the event of an IRS examination involving our cost segregation study, we provide full audit support at no additional cost, including direct communication with IRS examiners and supplementary documentation as needed.

### DISCLAIMER

This is a sample report prepared for illustration purposes only. It does not represent an actual cost segregation study performed on a real property. The property address, financial figures, and component details are entirely fictitious and are provided solely to demonstrate the format, quality, and depth of deliverables produced by Ascend Tax Group.

Actual results will vary based on the specific property, its construction, acquisition cost, and applicable tax circumstances. This document does not constitute tax advice. Property owners should consult with their tax advisor regarding the applicability and potential benefits of a cost segregation study for their specific situation.

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