



# MANUFACTURING FACILITIES

*See What's Possible with Cost Segregation*

## WHAT IS COST SEGREGATION

- Engineering-based analysis that identifies and quantifies building components
- Components are then reclassified into shorter-lived tax categories, resulting in accelerated depreciation, tax deferral, and increased cash flow
- Front-loading of depreciation leverages the time value of money

## WHY PERFORM COST SEGREGATION

- Accelerated depreciation can create \$30,000-\$200,000 in federal tax benefits for every \$1M spent
- IRS-preferred strategy leverages your fixed assets while serving as an excellent asset management tool
- Vehicle for tax savings – provides data supporting a myriad of additional tax strategies, including bonus depreciation
- Manufacturing facilities are great candidates – high level of customization results in a large amount of assets that can be accelerated
  - Light manufacturing facility: In general, 10-30% of assets eligible for accelerated depreciation
  - Heavy manufacturing facility: On average, 30-50% of assets eligible
- Under the One Big Beautiful Bill Act, portions of the building shell directly related to production activity may be classified as Qualified Production Property (QPP)
- For a limited time, QPP is eligible for 100% bonus depreciation when certain criteria are met, further boosting the impact of Cost Segregation Study

## WHICH MANUFACTURING FACILITY ASSETS ARE COMMONLY SEGREGATED

- Shorter-lived 5 or 7-year assets may include:
  - Specialty electrical distribution
  - Dedicated specialized HVAC systems
  - Overhead cranes
  - Hyper-dense foundation pads and reinforced flooring for heavy equipment
  - Special-purpose equipment like refrigerated warehouses, clean rooms, etc.
  - Security systems
- Shorter-lived land improvements may include:
  - Landscaping
  - Underground utilities
  - Paved parking lot
  - Drain pipes, sanitary lines
  - Retaining walls

## EXAMPLE MANUFACTURER AND DISTRIBUTOR OF RESILIENT FLOORING

- Three-story building with multiple offices, design studios, conference rooms, display areas
- Newly constructed, placed-in-service 12/2022
- Depreciable basis: \$23,557,644
- Engineers moved 11.4% into 5-year, 14.9% into 15-year
- First Year Tax Savings: \$2,108,836





## **EXAMPLE** FOOD PRODUCTION AND DISTRIBUTION FACILITY

- Gluten-free baked goods company
- Addition to facility placed-in-service in 2022 – production lines in a clean-room environment, prefabricated cooler space, industrial bake oven and proofers, extensive conveyer systems
- Depreciable basis of addition: \$18,056,636
- Engineers moved 69.8% into 7-year, 1.9% into 15-year
- First Year Tax Savings: \$4,426,802



## **EXAMPLE** INDUSTRIAL WAREHOUSE/DISTRIBUTION FACILITY

- Specialty roofing supply company
- One-story industrial warehouse with receiving and shipping areas and loading docks equipment
- Acquired and placed-in-service 3/2022
- Depreciable basis: \$2,823,916
- Engineers moved 3.7% into 5-year, 24.3% into 15-year
- First Year Tax Savings: \$268,019

## **WHERE CAN I LEARN MORE**

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