TAX BENEFITS OF MODULAR ARCHITECTURAL WALLS

Depreciation is an income tax deduction that allows a business to take an annual allowance for the wear and tear of a property, and this deduction is spread out over the useful life of an item as determined by the IRS (see IRS Depreciation Schedule below).

Traditionally, companies created private offices and conference rooms by constructing drywall. Because drywall is considered a permanent fixture of a building, they are depreciated like a building—over 39 years! This means significantly less depreciation deductions and therefore, higher taxes each year.

MAI offers tax-saving alternative — modular architectural walls. Because our (floor-to-ceiling) walls are demountable, the IRS treats them as furniture. This means that companies can depreciate MAI walls in seven years, allowing for greater depreciation deductions for a more efficient cost savings sooner than a traditional build-out.[1]

IRS DEPRECIATION SCHEDULE

Property	Useful Life
Computers	5 Years
Furniture	7 Years
Buildings	39 Years

Source: IRS Publication 946

MORE ON CONSTRUCTION DEPRECIATION

Save 32% vs. construction with MAI's demountable walls!

A highly reputable accounting firm rendered an opinion of demountable wall systems product with regards to depreciation and its classification. In general, by definition (which has remained consistent over the years), the demountable product is considered equipment and depreciates accordingly. Thus, allowing a company to completely write off the expenditure over 5 times faster than typical construction. How does this advantage affect the cost?

With current tax laws, the bottom line is that conventional construction's initial cost would need to be over 32% less to match the tax advantages of wall systems product. The following breakdown illustrates this and lists the assumptions.

Assumptions

- Maximum corporate tax is 39.6%
- Demountable product qualifies for 7-year depreciation; yearly write off is 14.3% (1/7 project cost)
- Construction depreciation is 39 years; yearly write off is 2.6% (1/39)
- After seven years demountable product is completely written off, while only 17.9% of conventional is written off
- Using the above tax (39.6%) to determine a projects true cost, demountable product returns 39.6% in tax savings to the company where conventional returns only 7.6% (=17.9% x 39.6%) in the first seven years

Note: many situations can cause other rulings to apply, MAI recommends companies discuss the matter with their CPA's to determine if their particular situation would qualify for this depreciation

[1] For further guidance on taking advantage of tax benefits, be sure to consult your tax professionals.

10-A Bloomfield Avenue, Unit A-2, Pine Brook, NJ 07058
t 973 446 2300 | f 973 446 2399
www.maispace.com