

MEZZANINE TAX BENEFIT

Fact Sheet

Mezzanine systems can be treated as depreciable personal property or real property. The primary difference is that **personal property** is movable and typically functions as an accessory to distribution, process or manufacturing equipment. In contrast, **real property** is not likely to be moved and is permanently affixed to the building; becoming an additional function to the building.

Factors that support mezzanine systems as depreciable personal property:

- *Ease of disassembly and relocation*
- *Intent or history of being moved or relocated*
- *Bolted to a concrete slab instead of being directly cast in a poured foundation footing*
- *Freestanding*
- *Not supported or mounted to a building structure other than being bolted to the slab*
- *Sole justification is use in a manufacturing process*
- *Sole justification is use in distribution of packages*
- *Sole justification is use as shelving or storage of inventory*
- *Use as a singular business purpose*

If the mezzanine system qualifies as personal property, the depreciable life is typically 5 or 7 years depending upon the industry use. In contrast, real property like an expansion, is depreciated over 39 years. Newly acquired personal property may also qualify for a bonus depreciation deduction.



How It Works

If you build a \$20,000 expansion on your facility, it will be considered real property and in 7 years it will have depreciated by 21% and reduced taxable income by \$4,103. Alternately, if you spend the same \$20,000 on a Cubic Designs Mezzanine System, at the end of 7 years the system will have fully depreciated and reduced taxable income by the original \$20,000 investment. Ultimately you will have saved \$5,405 in taxes in the first 7 years of your system's long life.

Construction Method	Cost	8 Year Depreciation Deduction	Tax Rate	8 Year Reduction
Cubic Designs Mezzanine System	\$20,000	\$20,000	34%	\$6,800
Conventional Expansion	\$20,000	\$4,103	34%	\$1,395

7 Year Savings = \$5,405

Property tax treatment for mezzanine systems varies from state to state. Some states with manufacturing exemptions may exempt mezzanines from property taxation altogether because of its direct use in the manufacturing process. However, because state laws vary greatly, always consult your specific state laws.