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COST SEGREGATION: THE VEHICLE FOR TAX SAVINGS ON YOUR MANUFACTURED HOUSING PROJECTS (MHP)

Cost segregation is the key to unlocking real estate tax savings on your MHP. An IRS-approved tax strategy, cost segregation facilitates the identification of shorter-lived assets within a property. The depreciation of these assets can then be accelerated, resulting in tax savings and increased cash flow.

In an MHP, the building itself is assigned a 27.5-Year Class Life. In a cost segregation study, shorter-lived assets will be broken out and categorized as either as 5-Year Personal Property or 15-Year Land Improvements. The inherent structure of a MHP translates into a tremendous amount of 15-Year Land Improvements, in particular.

5-YEAR PERSONAL PROPERTY	15-YEAR LAND IMPROVEMENTS
Counters, cabinets, sinks	Paved parking lots
Water and electrical hookups	Roads
Security camera systems and keypads	Sidewalks
Paddle fans	Parking pads
Fire extinguishers	Landscaping
Cluster mailbox units	Water lines
Park-owned trailers	Sewage systems
	Fencing

The asset-rich nature of the MHP can result in accelerated depreciation of 50-75% assets.

Plus, the One, Big Beautiful Bill Act (OB3) has supercharged cost segregation studies by boosting bonus depreciation – an additional incentive above and beyond accelerated depreciation – to 100%.

In short, whether you're constructing, acquiring, or renovating an MHP – there's never been a better time.

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EXAMPLE SMALLER MHP

- Acquired and placed-in-service 8/2025 (100% bonus in play)
- Depreciable basis: $1,085,000
- 36 pads, each including electrical and water service connections, over 4.25 acres
- Landscaping improvements include concrete patios and light posts, vinyl fencing, concrete wheel stops, mature trees, etc.
- Engineers moved:
  - 30.2% to 5-Year Personal Property
  - 62% to 15-Year Land Improvements
- First Year Tax Savings: **$342,246**

EXAMPLE LARGER MHP

- Acquired and placed-in-service 8/2025 (100% bonus in play)
- Depreciable basis: $2,254,750
- 43 pads, each including electrical and water service connections, over 8.3 acres
- Landscaping improvements include concrete patios, concrete curbing and gutters, paved roads and driveways, wooden pedestrian bridge, decorative plants and shrubs in mulched beds throughout, etc.
- Engineers moved:
  - 24.0% to 5-Year Personal Property
  - 65.7% to 15-Year Land Improvements
- First Year Tax Savings: **$686,003**

WHERE CAN I LEARN MORE

info@capstantax.com

SCAN ME

VISIT - https://capstantax.com/cost-segregation-study-explained/

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215-885-7510 | capstantax.com

Capstan Tax Strategies delivers engineering-driven specialty tax solutions that maximize the valuable tax benefits of real estate holdings. By complementing and collaborating with accounting firms, we arm commercial real estate owners, executives, and tenants with the data and analysis required to accelerate depreciation, maximize deductions, and capture tax credits.

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