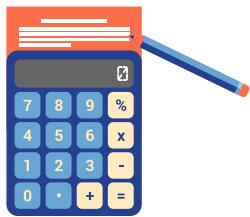


# Disposition Worksheet and Online Calculator





Engineered Tax Services  
is proud to offer a comprehensive  
and detailed asset  
disposition calculator.

## DISPOSITION DEFINED

When you undertake demolition or renovate a building to tear out lighting, HVAC units, and other components, they are disposed of or retired from the building. As such, their book value can be treated as a business deduction. The tangible personal property within the structure allows for the remaining depreciable value to be written off when the asset is retired, provided the personal property is no longer in service and was not purchased with the intent to demolish. This must be identified and valued prior to demolition.

Disposition occurs when an asset is permanently withdrawn from use when:

- Sold
- Exchanged
- Retired
- Physically abandoned
- Destroyed
- Transferred to a supplies, scrap, or similar account

## PARTIAL ASSET DISPOSITION

New partial disposition election allows taxpayers to treat the retirement of structural components and subcomponents of assets as a disposition on which gain or loss (usually loss) is recognized.

*Dispositions and retirements need to be made in the year of disposition otherwise they must remain on the books until they have run their course.*

## COMPUTING DISPOSITION

Any reasonable method may be used to calculate the remaining basis for disposition, including:

1. Discounting the cost of the replacement portion of the asset to its placed in service year cost using the Producer Product Index (PPI) (\*revised 8/15/14); <http://engineeredtaxservices.com/register/>
2. A pro rata allocation of the unadjusted depreciable basis of the asset based on the replacement cost of the disposed portion of the asset and the replacement cost of the asset; and
3. A study allocating the cost of the asset to its individual components (Proposed Reg. §1.168(i)-8(f)(3)).

If a detailed asset report is unavailable, the producer product index can be used to identifying and calculating a reasonable disposition amount.

Engineered Tax Services is proud to offer a comprehensive and detailed Asset Disposition Calculator using the Producer Product Index (PPI) as a tool to calculate a reasonable disposition amount.

## USING THE PPI TO CALCULATOR PARTIAL ASSET DISPOSITIONS

After registering on the Engineered Tax Services website, you will be given access to the PPI Index Disposition Calculator. The calculator provides some general guidance on applicability and use.

### Asset Disposition Calculator

Engineered Tax Services has developed this tool as a resource to estimate disposition deductions or Partial Asset Dispositions for fixed assets removed, demolished, retired, or no longer in service. This tool uses the Producer Product Index (PPI) rollback method while applying additional conditions to factor in asset age and condition at the time of removal, increasing the accuracy of the valuation. However, the most detailed and precise method for determining disposition is via a detailed engineering study, or a detailed Cost Segregation study, which is also provided by ETS.

 Our cost segregation studies identify and provide a detailed list of assets to easily capture for future disposition deductions. For a complimentary benefit analysis, [click here](#).

## REQUIRED DATA

**New:** Is the cost of the asset recently added to the property.

**Original:** Is the original cost of the asset that was removed (if known". For example: if the roof was replaced in 2000 and again in 2015 and you want to take disposition for the roof added in 2000.

### Information Required for Disposition Calculation

Cost Basis of Component 

New  Original (An orange arrow points to the 'New' radio button)

Cost Basis of Building Component  
\$ 0.00

Date of Purchase (Start Date) 

Date of Replacement (End Date) 

*This is the date the asset was added to the building. If you are take a disposition write-off for an existing asset from purchase, then use the original purchase date.*



### PRODUCER PRODUCT INDEX DEFINITION:

The PPI measures the industry level and tracks the prices for various types of building components

Click Here to  
Begin Using this  
Online Disposition  
Calculator



We have developed this tool as a resource to our clients but strongly suggest that you reach out to your tax preparer or contact Engineered Tax Services to assist with more detailed guidance in determining the proper treatment for any costs paid for repairs and improvements.

## Information Required for Disposition Calculation

Cost Basis of Component ?

New  Original

Cost Basis of Building Component

\$ 0.00

Date of Purchase (Start Date) ?



Date of Replacement (End Date) ?



This calculator is designed to identify the value of specific assets to be removed for tax purposes. You must be specific about the asset in order to identify the value.

Year Original component installed (optional) ?

Use Purchase Date

Component Category

Appliances

Type of Component

Major Appliances, Residential

Condition of Component ?

Average

Average Useful Life of Component (Years)

12

Check this box to manually enter the Useful Life ?

Clear

Submit

The example above reflects the information needed to calculate disposition for re-paving a parking lot. It shows the cost of paving is \$26,500 in 2015 and is replacing a property purchased in 2013, but originally constructed in 2005 (optional data).

## Information Required for Disposition Calculation

Cost Basis of Component ?

New  Original

Cost Basis of Building Component

\$ 26,500.00

Date of Purchase (Start Date) ?

06/15/2013



Date of Replacement (End Date) ?

12/15/2015



Year Original component installed (optional) ?

2005



Component Category

Site Improvements



Type of Component

Paving, Asphalt



Condition of Component ?

Average



Average Useful Life of Component (Years)

15

Check this box to manually enter the Useful Life ?

**Clear**

**Submit**

Based on the information provided – the retirement loss to be realized is \$21,976.15 and a full-accumulated depreciation schedule is also provided.

If a detailed asset report is unavailable, this disposition calculator will aid in identifying and calculating a reasonable disposition amount.



Display Calculation for Component Condition:  ▾

**Condition: Manual**

- Manually Entered Useful Life: 15
- Component's Remaining Useful Life: 13
- Number of Years Used Prior to Retirement: 2
- PPI Index at Time of Purchase: 196.4
- PPI Index at Time of Replacement: 196.7
- Original Basis of Component: \$26,459.58
- Claimed Depreciation: \$4,483.43
- Retirement Loss of Component: \$21,976.15

However, the most detailed and precise method for determining disposition is via a detailed engineering study, or a detailed cost segregation study, which can be provided by Engineered Tax Services. A cost segregation study identifies and provides a detailed list of assets to easily identify and capture future disposition.

The detail in a cost segregation study provides:

- Immediate disposition adjustments based off of original, engineering based valuations for each asset.
- A worksheet for property owners to and managers to quickly identify disposition each year to capture these write-offs and improve the ROI on building improvements.

The cost segregating approach to claiming dispositions is beneficial because under the new regulations, there is no look back available so dispositions must be taken in a timely manner. The retirement of that asset also allows you to minimize recapture.