

Section 179 Tax Benefits

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Applicable purchases of \$1,160,000 dollars of Panel Built's product can now be written off during the tax year they are purchased and used. Expenditures exceeding \$2,890,000 will benefit from 80% bonus first-year depreciation (up until \$4,050,000 in purchases). In contrast, conventional building methods, or "stick-built" construction techniques, don't get this write-off. Instead, their purchases must depreciate over the course over 36.5 years.

Construction Depreciation

A highly reputable accounting firm, Grant Thornton®, rendered an opinion of the wall systems concerning depreciation and its classification. In general, by definition (which has remained consistent over the years), the product is considered equipment and depreciates accordingly. That means companies that use modular construction – like those from Panel Built – can completely write off the expenditure over 5 times faster than typical construction.

Our Tax Advantages Save You More

Even excluding the 80% depreciation, the bottom line is that conventional construction's initial cost would need to be over 17% less to match the current tax advantages of Panel Built's product. The following breakdown illustrates this and lists the assumptions.

Assumption

- Maximum corporate tax is 21%
- Panel Built's 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 Panel Built's building is completely written off, while only 17.9% of conventional is written off.
- Using the above tax (21%) to determine a projects true cost, Panel Built's product returns 21% in tax savings to the company where conventional returns only 4% (17.9% x 21%) in the first seven years. $(100\% - 21\%) = 79\%$
modular cost = 96% conventional cost x (Y being the cost difference) Y = .790 Conclusion, Panel Built has a 17% price advantage.



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