



TAXES AND STARRCO PRODUCTS

The current tax laws allow very favorable depreciation on all Starcco modular offices, portable buildings and mezzanines. These products qualify for a 7-year depreciation period while conventional construction is depreciated over 39 years.

Conventional construction, by its nature, becomes a permanent structural addition to a building, and thus it is classified as "real property" with the longer **39-year depreciable life**.

Starcco products, on the other hand, can be fully dismantled, relocated, and reassembled. This mobility, under the Modified Accelerated Cost Recovery System (MACRS), allows the Starcco products to be classified as "**tangible property**" with a shorter **7-year depreciable life**.

EXAMPLE: Assume the cost of a new office is \$20,000. At the end of 8 years (½ year depreciation in the year of acquisition and in the 8th year of the life of the office) the Starcco Modular Office System has fully depreciated and reduced taxable income by the original \$20,000 cost. Conversely, the permanent construction has depreciated 21% and reduced taxable income by \$4,103. Assuming a 34% tax rate you pocket \$5,405 in tax savings over the first 8 years.

CONSTRUCTION METHOD	COST	8 YEAR DEPRECIATION DEDUCTION	TAX RATE	8 YEAR TAX REDUCTION
Starcco Modular Office	\$20,000	\$20,000	34%	\$6,800
Permanent Construction	\$20,000	\$4,103	34%	\$1,395
8 Year Tax Savings				\$5,405

If the difference in the reduction of taxes (\$5,405) were invested at 8% for the remaining 31 years, the result would be substantial and could approach \$64,000.

The accelerated depreciation for Starcco products means faster recovery of the total cost.

Under Section 179 of the Internal Revenue Code, tangible property may be treated as an expense deduction rather than a capital expenditure. The maximum deduction allowed for in 2000 is \$20,000 reduced by the excess cost of qualified property placed in service during the year over \$200,000.

Since tax laws are constantly being modified, we suggest that you consult with your company accountant to determine the application of these provisions.