

Commercial Example - True Cost of Ownership & Payback

Assuming 50% Bonus Depreciation

Project Cost **\$200,000**

	Assumptions
Depreciation Calculations	
Project Cost	\$200,000
30% ITC	\$60,000
Depreciable Bases After ITC (15% basis reduction)	\$170,000
Bonus Depreciation - 50%	\$85,000
Depreciable Basis	\$85,000
Corporate Tax Bracket	35%
Annual Electrical Savings	\$20,000

Depreciation Calculation	1	2	3	4	5	6	
Year							
Depreciation (MACRS)%	20.00%	32.00%	19.20%	11.52%	11.52%	5.76%	
Annual Depreciation Expense	\$17,000	\$27,200	\$16,320	\$9,792	\$9,792	\$4,896	\$85,000
Bonus Depreciation - 50%	\$85,000						
Total Depreciation	\$102,000	\$27,200	\$16,320	\$9,792	\$9,792	\$4,896	\$170,000
Tax Deduction for Depreciation Assuming 35% Tax Bracket	\$35,700	\$9,520	\$5,712	\$3,427	\$3,427	\$1,714	\$59,500
Investment Tax Credit Deduction	\$60,000						\$60,000
Net Project Cost After Taxes							\$80,500
Percentage Net Project Cost to Project Cost							40.25%
Payback in Years (real payback is after depreciation schedule is over)							4.03