

Agricultural Example - True Cost of Ownership & Payback

Assuming 50% Bonus Depreciation and REAP Grant Equal to 25% of Project Cost

Project Cost							\$200,000
Depreciation Calculations	Assumptions						
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
REAP Grant - 25% of Project Cost							\$50,000
Tax Cost of REAP Grant - 35% Tax Bracket							\$17,500
Corporate Tax Bracket							35%
Annual Electrical Savings							\$20,000
<hr/>							
Depreciation Calculation							
Year	1	2	3	4	5	6	
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
REAP Grant Net of Taxes							\$32,500
Net Project Cost After Taxes							\$48,000
Percentage Net Project Cost to Project Cost							24.00%
Payback in Years (real payback is after depreciation schedule is over)							2.40