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Property tax depreciation refers to the amount of value lost over time by a property owned for business purposes, such as a rental property or store. The owners of such properties are allowed to write off the depreciation of the building that holds the business to lower their yearly tax burden. When calculating property tax depreciation, the original cost of the building is depreciated using a straight-line method over a period of 27.5 years if the building is residential, like an apartment complex, or 39 years if non-residential, like a store. While this depreciation aids the investor in yearly tax returns, it works against him or her when the property is sold because the lessened value of the building means that higher capital gains taxes must be paid.

Depreciation occurs when a business asset suffers normal wear and tear over a period of time, thus diminishing its value. The owner of a depreciated asset is able to then expense the depreciated amount on his or her tax return, thus offsetting the loss of value somewhat. Real estate falls into that category if it is used for business purposes, thus creating the concept of property tax depreciation.

It is important to note that land is not a depreciable asset, so the cost of the land is subtracted from the purchase price of the real estate to determine the cost of the building in question. How the building is used then determines the span of time over which the building depreciates. The depreciation is then calculated using the straight-line method of depreciation, in which the yearly depreciation is equal to the original cost of the building divided by the length of time of the depreciation.

For example, a house price valuation cost the owner $7,800 US Dollars (USD) at purchase. Since it is a non-residential building but is used for business purposes, the United States Internal Revenue Service (IRS) estimates the life span of the building at 39 years. Thus the $7,800 USD is divided by 39, which means the property tax depreciation in this case is $200 USD each year. In other words, the building's value in its second year would drop to $7,600 USD, or $7,800 USD minus $200 USD, then down to $7,400 USD in its third year, and so on.

Depreciation schedule for rental property is also same as normal or ordinary property depreciation. The amount of depreciation each year is known as the depreciation expense and can be written off on tax returns by the owner. This also means that the estimated value of the building drops each time a depreciation expense is claimed, so when the owner sells that property, he or she would realize higher capital gains. Since this is the case, higher taxes would be due upon the receipt of those gains than if the building had not been depreciated.

With the increase in technology there are so many kind of Capital gains tax calculator are available than can help you to get accurate tax depreciation of your property.

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