

# Depreciated Replacement Cost



What guidelines are used by appraisers to determine depreciated replacement cost? An accurate and objective assessment is needed to ensure that the [property owner](#) receives a just and fair price for the structure ([and premium](#)) in the event of a [treble](#).

The first question is, “What gets assessed?” The default answer is different for residences and businesses. By default, all residential structures and fixtures are paid a 33% premium, and all movables are moved or abandoned. For commercial properties, movables are also purchased at a 33% premium.

However, property owners might desire to move specific structures or fixtures or might wish a 33% premium on various movables. Conversely, businesses might not want to provide their competitor with equipment and machinery in a [hostile takeover](#). This is their right, provided each item, the disposition of which differs from the default, is noted with the property.

In addition to documenting property whose transition status differs from the default, various assertions about the property should be recorded in [LGATS](#) to maximize assessed valuation and gain an advantage in [chancery court](#). Most, but not all, of these apply to commercial property:

- A. Machines must be listed individually, including photo, manufacturer, brand, serial number, status, and age. Digital receipts with the date of purchase can enhance valuation. [Elsie Toolkit services](#) associate a material object with a biometric identity to track its provenance and repair history, which will maximize valuation.
- B. Inventory should include a minimum-maximum range of each product in inventory and a general description. All inventory is paid at a 33% premium to the purchase price, not the sale price.
- C. Materials that provide no added utility (according to the opinion of [a reasonable expert](#)) over cheaper materials will be appraised at the price of the more affordable material. Expensive materials that lower utility

- should be removed by the trebled property owner, as they will not be paid.
- D. A trademark can be sold with the treble but is not mandated. There is no market value on trademarks and proprietary signage. If the property owner does not remove them before vacating, they have no legal remedy should the new property owner use them as they see fit.
  - E. Furniture and miscellany can be listed as a group and priced at thrift store pricing (often \$0.00) unless receipts with the date of purchase for individual items are included.
  - F. Moveable items can be priced. They must be available to the [trebler](#) at the specified price. If the trebler chooses not to purchase the item, it must be removed or abandoned. It will not be included in the structure or premium price.

Appraisers at the VTLM use an Elsie Toolkit form that breaks the structure(s) into many subsystems. Each subsystem is appraised independently. The total of the subsystem appraisals is the structure's replacement and depreciated replacement costs. There is no vehicle for location-based opinion. The only difference between a house in the Hamptons and an identical house in rural Wyoming is the cost of labor and materials. The house in Wyoming might have a higher replacement cost.

**Elsie Toolkit**

- Home
- Statistics
- Lynn Ho-Chen
- Settings
- Elsie Market
- Shopping
- Logout
- Admin
- Purchasing Agent
- Mortgage Lender
- VTLM Employee
- ABC Admin

**Date of Appraisal:** 6/7/2024 1:00:00 PM  
**Appraiser:** Lynn Ho-Chen  
**License#:** X12346

|   |
|---|
| + Basement (8.00%) \$8,000.00 x 10.00% = \$7,200.00           |
| + Electrical (8.00%) \$7,000.00 x 61.60% = \$2,688.00         |
| + Plumbing (6.00%) \$6,000.00 x 20.00% = \$4,800.00           |
| + Water (2.00%) \$2,800.00 x 2.00% = \$2,744.00               |
| + Heating (2.00%) \$2,500.00 x 10.00% = \$2,250.00            |
| + Cooling (2.00%) \$1,700.00 x 12.00% = \$1,496.00            |
| + Ducts (1.00%) \$3,000.00 x 1.00% = \$2,970.00               |
| + Roof (6.00%) \$7,000.00 x 50.00% = \$3,500.00               |
| + Siding (7.00%) \$5,000.00 x 50.00% = \$2,500.00             |
| + Foundation (9.00%) \$16,000.00 x 1.00% = \$15,840.00        |
| + Structure (11.00%) \$15,002.00 x 5.00% = \$14,251.90        |
| + WallsAndFixtures (9.00%) \$8,000.00 x 22.00% = \$5,240.00   |
| + Bathrooms (12.00%) \$8,500.00 x 5.00% = \$8,075.00          |
| + Landscape (3.00%) \$4,000.00 x 0.00% = \$4,000.00           |
| + Attic (1.00%) \$2,000.00 x 17.00% = \$1,660.00              |
| + Appliances (3.00%) \$1,900.00 x 40.00% = \$1,140.00         |
| + Garage (2.00%) \$8,000.00 x 5.00% = \$7,600.00              |
| + Windows (4.00%) \$3,000.00 x 5.00% = \$2,850.00             |
| + FloorsAndCarpeting (5.00%) \$8,000.00 x 30.00% = \$5,600.00 |

**Replacement Cost of Structure \$117,402**  
**Appraised Value of Structure \$97,405**

The percentages in parentheses are a tool for the appraiser. They can use these as reminders to appraise every subsystem.

Once replacement cost and depreciation are entered for a subsystem, DRC is automatically computed, as is the total for the structure.

Each tab opens up for details on the subsystem, including photos and documents.

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| - Electrical (8.00%) \$7,000.00 x 61.60% = \$2,688.00 |

**% Total:** 8.00%      **Repl. Cost:** \$7,000.00      **Depr:** 61.60%      **DRC:** \$2,688.00

[Comments](#)  
 Bad wiring - heavy depreciation

- Photos

Electrical Photos 1 / 1



This is typical of the entire house

|   |
|---|
| + Plumbing (6.00%) \$6,000.00 x 20.00% = \$4,800.00 |
| + Water (2.00%) \$2,800.00 x 2.00% = \$2,744.00     |

No 33% trebler premium is paid on structures to the extent of a mortgage holder (overdue mortgage payment), utility, or mechanic's [lien](#). For example, if the depreciated replacement cost of the structure is \$100,000 and the lien account balance is (70,000), then the trebler would pay  $\$30,000 \times 133\% + \$70,000 = \$109,900$ , rather than a lien-free structure payment of  $\$100,000 \times 133\% = \$133,000$ .

The \$70,000 is transferred to the lien account to close it with a zero balance, with the now-former landowner receiving \$39,900. Lien accounts are tied to receivable accounts of lien creators.