

Tax Saving Strategies Using Cost Segregation



What is Cost Segregation?

Accelerated depreciation,
increased cash flow & reduced tax

Cost Segregation is a strategic tax savings tool that allows companies and individuals who have constructed, purchased, expanded or remodeled any kind of real estate to increase cash flow by accelerating

depreciation deductions and deferring federal and state income taxes.

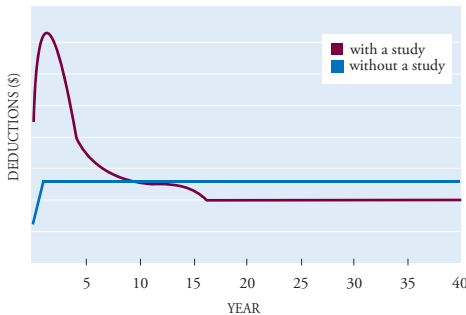
In general, it is easy to identify furniture, fixtures, and equipment (FF&E) that are depreciated over 5 or 7 years for tax purposes. However, a Cost Segregation Study goes far beyond that by dissecting construction costs that are usually depreciated over 27 1/2 or 39 years.

The primary goal of a Cost Segregation Study is to identify all construction-related costs that can be depreciated over 5, 7 and 15 years. Reducing tax lives results in accelerated depreciation deductions, a reduced tax liability, and increased cash flow.

Conducting a quality Study involves: review of cost detail & blueprints, site inspection, photo documentation, cost estimation, and preparation of a report.

Benefits of Accelerated Depreciation

The depreciation for a property with a Cost Segregation Study allows for a significant increase in deductions within the first 5 years.



The graph illustrates how a building's depreciation schedule would look like with a Study vs. without a Study.

Assuming a combined tax rate of 41% and a Return on Investment factor of 8%, every \$100,000 of costs shifted from 39-year property to 5-year property, creates a present value tax benefit of approximately \$22,000. Every \$100,000 of costs shifted from 39-year property to 15-year property, creates a present value tax benefit of approximately \$12,000.

Who Can Benefit?

Any structure used for business or as rental property, is eligible for the benefits of Cost Segregation. Any leasehold improvements or renovation costs can also qualify.

The graph represents the percentages of costs that could be reclassified from either 27 1/2 or 39-year real property to 5, 7, or 15-year property.

| PROPERTY TYPE | PERCENTAGE REALLOCATED |
|--------------------------|------------------------|
| Offices | 12-25% |
| Apartments | 20-30% |
| Retail Stores | 15-32% |
| Auto Dealerships | 20-35% |
| Restaurants | 23-40% |
| Veterinary Facilities | 25-40% |
| Manufacturing Facilities | 30-60% |

These are just a few examples of the types of results from a study. Please contact us for more information on your specific property type.

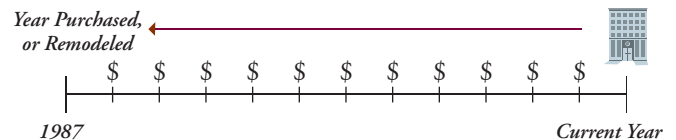


Timing is Everything

The ideal time for a Cost Segregation Study can vary depending on an owner's tax situation.

Although the optimum time for a Study is during the year a building is constructed, purchased, or remodeled, a Study can be completed anytime afterwards. In fact, current Internal Revenue Service procedures make it easy to go back and claim missed depreciation on assets acquired as far back as 1987 without amending prior tax returns.

Our experts will help analyze your tax situation to identify the right timing for you. estimation, and preparation of a report.



Getting More Information

A free preliminary analysis can easily be conducted to estimate approximately how much a Cost Segregation Study can benefit an investor. Contact us today to apply for an Estimate of Savings and a fee quote or to inquire about available seminars on Cost Segregation.