TAX BENEFITS

COST SEGREGATION

Cost Segregation is the IRS preferred method of re-classifying components and improvements of a commercial building from real property to personal property. This process allows the assets to be depreciated on a 5, 7 or 15 year schedule instead of the traditional 27.5 or 39 year depreciation schedule of real property.
An "engineering-based" study allows a building owner to depreciate a new or existing structure in the shortest amount of time permissible under current tax laws which minimizes overall tax liability.

According to the U.S. Treasury Department, "Cost Segregation Studies are a lucrative tax strategy that should be considered in almost every real estate purchase." Within the first five years of building ownership, the savings potential could be up to $100,000 for every $1 million in building costs.

How Do Cost Segregation Studies Work?

When a property is purchased, not only does it include a building structure, but it also includes all of its interior and exterior components. On average, 20% to 40% of those components fall into tax categories that can be written off much quicker than the building structure. By employing the services of an engineering-based cost segregation firm, a team of accountants and analysts evaluate the building and all of its components. Then, create a cost segregation study customized to the property to provide the IRS compliant source documents with the component details that allows the current tax professionals to implement.

Who Qualifies for Cost Segregation?

Any commercial property owner who has done the following since 1987:

- Purchased a commercial building or facility
- Constructed a new commercial building
- Renovated, remodeled, restored or expanded an existing facility
- Paid for facility leasehold improvements
- Anticipate holding the property for at least a few years.

The tax benefits of cost segregation can be applied to various types of properties: apartments, assisted living/nursing homes, restaurants, manufacturing, warehouses, auto dealerships, office buildings, supermarkets, hotels, medical buildings, retail space, self-storage, shopping centers, casinos, event centers, and many more.

BONUS: The IRS allows building owners to go back as far as 1990 and "catch up" on the depreciation they should have been deducting from the day the property was purchased WITHOUT amending prior tax returns.

Contact us today to see what type of tax savings are possible!

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