

# COST SEGREGATION STUDIES

## FINDING THE CASH IN YOUR BUILDING.

As part of our tax compliance, research and planning practice, we offer cost segregation studies as a means to properly, and advantageously depreciate real property, resulting in significant tax savings and improved cash flow. A cost segregation study is an engineering analysis of an acquired property that divides faster depreciating, nonstructural components out from the real property. Virtually any business that has acquired property since 1987 can utilize a cost segregation study.

Many taxpayers incorrectly depreciate assets over a period of time longer than the IRS requires. A cost segregation study helps identify the nature of assets, and the proper depreciation time. The analysis divides property into four major categories, each with a different depreciation schedule: land - no depreciation; real property (structural components) - 39 year depreciation; land improvements (non-structural components) - 15 year depreciation; and personal property (non-structural components) - 5/7 year depreciation. By correctly depreciating assets over the proper period of time, tax deductions are taken faster. And a tax deduction today is worth more than one next year, and worth ten times one in thirty years.

### MANY BENEFITS

- *increased depreciation in earlier years, less taxes, means more cash flow*
- *permanent savings when buildings are sold (capital gains v. ordinary deduction)*
- *allows for future write-offs when structural components are replaced*
- *catch-up deductions can be taken in one year*

### ELIGIBLE BUILDINGS

- *new buildings under construction*
- *existing buildings undergoing renovation*
- *office leasehold improvements and “fit-outs”*
- *purchases of existing properties*
- *all post 1986 real estate construction, building acquisitions or improvements*
- *buildings acquired in a prior year*

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