What a Cost Segregation study will do for you...

The financial benefit:

As a commercial property owner, you can receive cash flow from tax savings of 6 10% of your building cost within the first five years of ownership. That s $60K $100K for each $1M in building costs.

Increase your cash flow:

With less taxable income, you can increase your company s cash flow significantly. Our cost segregation studies enable you to keep more of the money you make.

Grow your business:

What you do with that money is up to you. Many of our clients use their tax savings to reinvest in their business, purchase property, expand operations, or pay off their principle building payment.

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How will a Cost Segregation study create cash flow for my business?

Cost segregation is the method of re classifying components and improvements of your 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 year life of real property. Thus, your current taxable income will be greatly reduced and your cash flow will increase $60,000 to $100,000 for every $1,000,000 of building cost. **This is your money to use now.**

How will the new Tangible Property Regulations affect my business?

The new repair and maintenance regulations are the biggest tax change since 1986. Since the issuance of the final regulations, the demand for cost segregation studies is on the rise. Compliance with the new regulations is not optional, and Cost Segregation is called the certain method to getting the calculations right.

First, your existing depreciation schedule must be scrubbed and any items that do not rise to the new level of capitalization MUST be expensed. Regulation 1016 3 says that if this is not done prior to an audit the remaining depreciable basis of the items can be disallowed. **Second,** moving forward there are new capitalization criteria and three safe harbors that can be utilized to expense expenditures that would normally be capitalized. You and your CPA can utilize these safe harbors to strategize about how and when repairs should be made.

Can I schedule my repairs and maintenance so that they can be expensed?

Yes. There are three strategies available. You should be proactive and strategize on all expenditures that are over $2,500. The **first** is the de minimus safe harbor limit which all businesses can take advantage of. Any expenditure under $2,500 can be expensed. **Second**, if expenditures are deemed repair and maintenance, not a betterment, they can be expensed. **Third** is the small tax payer safe harbor which is an excellent opportunity for commercial and income property owners. Owners would take 2% of the unadjusted basis of each building and write down expenditures under that 2% number.

I heard that I can expense items that were removed and disposed of after my renovation including labor. Is that true?

This is a partial asset disposition. An owner can write off the remaining depreciable basis of assets that went in the trash during a renovation, addition or improvement, including the labor to remove the items. This can only be done in the year of the renovation.