

COST SEGREGATION STUDY

Cost segregation is a tax planning tool that allows companies and individuals to increase their cash flow by accelerating depreciation deductions and deferring federal and state income taxes.

WHAT QUALIFIES?

- Constructing a new building
- Remodeling or renovating a building
- Purchasing existing real estate

HOW DO I BENEFIT?

- Maximize annual depreciation
- Reduce upfront income tax costs
- Lower cost of capital
- Improve cash flow
- Improve shareholder value

When commercial real estate is purchased or constructed, a building asset is created, and the dollars are entered into a fixed-asset system as a 39- or 27.5-year property.

Cost segregation studies, which analyze the components that make up the building and assign these various components with MACRS Recovery Periods under the General Depreciation System, can provide property owners with accelerated depreciation.

Assets are most commonly recategorized into 5-year, 7-year, 15-year, and the remaining into either 27.5 or 39-year lives. A cost segregation study often results in 20-40% of the basis being classified as property subject to bonus depreciation.



BONUS DEPRECIATION

Bonus depreciation allows additional depreciation deductions beyond normal depreciation allowances for the cost of qualifying business property.

Assets with a MACRS recovery period of 20 years or less are eligible for bonus depreciation, meaning the accelerated depreciation of those assets can be taken in the first year.

Bonus Value Percentage for Buildings Placed into Service During the Following Years

2018-2022	100%
2023	80%
2024	60%
2025	40%
2026	20%

Partnering with an experienced firm specializing in tax incentives is vital in determining if you are eligible to pursue a cost segregation study, 179D deduction, or any other real estate-related incentives. Calvetti Ferguson has a dedicated team with extensive experience in the rules and requirements for specialty tax incentives.

If you are interested in learning more, please don't hesitate to contact us. The initial cost segregation evaluation is complimentary to ensure the benefit makes sense for you.