

COST SEGREGATION STUDY

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



To realize the most benefit from a cost segregation study, it's important to go through the right process to calculate accelerated depreciation & substantiate your benefit.

Some of the reasons to consider contacting Calvetti Ferguson for a cost segregation study are if you are involved in commercial real estate activities like:

- Constructing a building
- Purchasing real estate
- Remodeling or renovating a facility

When a 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.

The IRS states that “In order to calculate depreciation for income tax purposes, taxpayers must use the correct method and proper recovery period for each asset or property owned. Property, whether acquired or constructed, often consists of numerous asset types with different recovery periods. Property must be separated into individual components or asset groups having the same recovery periods and placed-in-service dates in order to properly compute depreciation”.¹

A cost segregation study often yields a benefit of 5-10% of basis. For example, a cost segregation study on a \$1,000,000 new building could yield a Net Present Value of \$100,000. Any unused deductions will carry forward.

WHAT QUALIFIES?

- Constructed a new building
- Remodeled or renovated a building
- Purchased 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

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.

Calvetti Ferguson works with mid-market companies, private equity firms, and high net worth individuals across the country. Regardless of the complexity of the compliance, assurance, advisory or accounting need, our team stands ready to assist you.