

COST SEGREGATION



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Do you own or lease a building? Lower your tax bill with a cost segregation study.

Cost segregation identifies building costs that would typically be depreciated over a 27.5 or 39-year period and reclassifies them to permit a shorter depreciation period. Costs for non-structural elements, such as wall covering, carpet, accent lighting, portions of the electrical system, and exterior site improvements such as sidewalks and landscaping, can often be depreciated over five, seven or 15 years, rather than over 27.5 or 39 years.

Eligibility

Real property eligible for cost segregation includes buildings that have been purchased, constructed, expanded or remodeled since 1987. A cost segregation study is most efficient for new buildings recently constructed, but it can also uncover retroactive tax deductions for older buildings which can generate significant immediate benefits due to "catch-up" depreciation.

Cost segregation study process

Tax Point Advisors' cost-segregation specialists will analyze architectural drawings, mechanical and electrical plans, and other blueprints to segregate the structural and general building electrical and mechanical components from those linked to personal property. The study also allocates "soft costs," such as architect and engineering fees, to all components of the building.

Tax benefits of cost segregation

In addition to reducing taxes, cost segregation can benefit businesses in these additional ways:

- Maximizing tax savings by adjusting the timing of deductions. When an asset's life is shortened, depreciation expense is accelerated and tax payments are decreased during the early stages of a property's life. This, in turn, releases cash for investment opportunities or current operating needs.
- Creating an audit trail. A properly documented cost segregation helps resolve IRS inquiries at the earliest stages.
- Playing Catch-Up: taxpayers can capture immediate retroactive savings on property added since 1987. Previous rules, which provided a four-year catch-up period for retroactive savings, have been amended to allow taxpayers to take the entire amount of the adjustment in the year the cost segregation is completed.

Call Tax Point Advisors about scheduling a FREE assessment of Cost Segregation benefits today!