

## Tenant Improvements

### Client Profile

McGuire Sponsel was engaged to perform a cost segregation study for a commercial real estate investor and property manager who owned a total of 300,000 square feet of office space on four sites. The client had invested nearly \$5 million over 12 years to build out or remodel tenant spaces for most of their 90 tenants. They engaged McGuire Sponsel to properly classify all assets in the scope of the construction projects, thereby optimizing depreciation deductions.

### The Challenge

McGuire Sponsel's team completed a detailed, engineering-based cost segregation analysis of the properties. Our specialists physically inspected the properties and reviewed all available construction cost records and architectural and engineering drawings. Our deliverable report included detailed documentation and calculations for each item of property and cited tax laws to support reclassification of more than 45 percent of the investment to personal property and land improvements.

### Study Results

Based on our study, the client was able to accelerate depreciation deductions retroactively and claim a current-year deduction of \$1.4 million, reducing their tax burden by \$580,000. Over the life of the investments, the accelerated deductions will generate a net present value of \$380,000.

**Engaging McGuire Sponsel to properly classify all assets in the scope of a construction project can optimize depreciation deductions — \$1.4 million in this case.**

