

Cost Segregation

Cost Segregation reclassifies assets to maximize personal property and optimize depreciation deductions. This results in substantial cash flow benefits. Any new or existing business properties acquired through purchase, new construction, renovation or leasehold improvements are subject to depreciation and may benefit from a review.

Most taxpayers overstate 39-year real property which limits the depreciation deductions available in the early years of the investment. A Cost Segregation study identifies building components that can be depreciated over 5, 7 and 15-year class lives. McGuire Sponsel employs an engineering based approach that enables our studies to maximize the benefit while withstanding IRS scrutiny.



Why Should a Business Consider a Cost Segregation Study?

When a property is purchased or constructed, the overall cost includes building components that can be depreciated over a shorter life than the building structure. By accelerating depreciation, the taxpayer is able to significantly increase cash flow over the next 1-5 years by reducing their tax liability. In addition, a cost segregation study details the major components of a building which will assist the taxpayer in future write-offs as renovations or repairs occur.

Though a cost segregation study is typically conducted during the year of acquisition or construction, a study can be performed at any time after a building is placed in service - even if it has been several years. Any taxpayer that has purchased, constructed, or renovated commercial real estate should consider a cost segregation study.

What Makes a Good Prospect?

- Newly Constructed Buildings
- Renovations of Existing Structures
- Purchase of Real Estate post-1986
- Leasehold Improvements
- Developers
- Large Fixed Asset Schedules

Buildings that Benefit

- Apartments
- Assisted Living Facilities
- Auto Dealerships
- Hotels
- Manufacturing Facilities
- Offices
- Restaurants
- Warehouses



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IC-DISC

Credits & Incentives

R&D Tax Credits

Derivatives & Debt Advisory