

What is Your Return on Investment for a Cost Segregation Study?

Substantial tax and cash flow savings can be achieved by taxpayers who properly classify their construction or acquisition costs between real and personal property. Every \$1,000,000 reclassified from 39 years has an after-tax present value* of:

\$220,000 for 5 Year Property
\$200,000 for 7 Year Property
\$120,000 for 15 Year Property

For residential rental property, every \$1,000,000 reclassified from 27.5 years has an after-tax present value* of:

\$180,000 for 5 Year Property
\$80,000 for 15 Year Property

The present values above do not include the bonus depreciation deductions authorized by recent federal tax acts. The Small Business Jobs Act of 2010 and the American Taxpayer Relief Act of 2012 extended and expanded upon the bonus depreciation provisions of the Economic Stimulus Act of 2008. These provisions allow bonus depreciation deductions equal to 100% of the adjusted basis of qualified property** acquired between September 9, 2010 and December 31, 2011. These provisions also allow bonus depreciation deductions equal to 50% for qualified property acquired between January 1, 2008 and September 8, 2010 and between January 1, 2012 to December 31, 2013. The after-tax present value is substantially greater for those taxpayers that are able to take advantage of the bonus depreciation provisions.

*Assumes a 40% Tax Rate; 8% Discount Rate

**Qualified Property generally includes property with a recovery period of 20 years or less that is being put to its original use, and certain leasehold improvements.

Why Keiter?

Simply segregating percentages of construction subcontracts or invoices can leave significant and valuable benefits unrealized. Additionally, this method will not withstand an IRS audit.

You need a firm with experience and knowledge in cost segregation to assist you in classifying your property to save money, not only now, but in the future as well. We work in close affiliation with a professional group of construction engineers who have a thorough knowledge of the tax code and experience in successfully defending cost segregation studies before the IRS since 1981.

Contact our Keiter Cost Segregation Team for more information:

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