

CAN YOU BENEFIT FROM A COST SEGREGATION STUDY?

Cost segregation accelerates the depreciation of commercial buildings. For companies that own commercial real estate, multi-family housing or tenant improvements, cost segregation is one of the most significant opportunities available to reduce tax liability and increase short-term cash flow.

What is a Cost Segregation Study

Cost segregation studies free up capital by accelerating the depreciation of short-life assets associated with commercial real estate. They may be thought of as an interest-free loan in that they front-load the depreciation expense deduction a property would otherwise receive over 27.5 or 39 years.

Benefits are typically measured in terms of:

- Immediate cash savings or increased cash flow during early years of ownership; or,
- Present value over ownership term

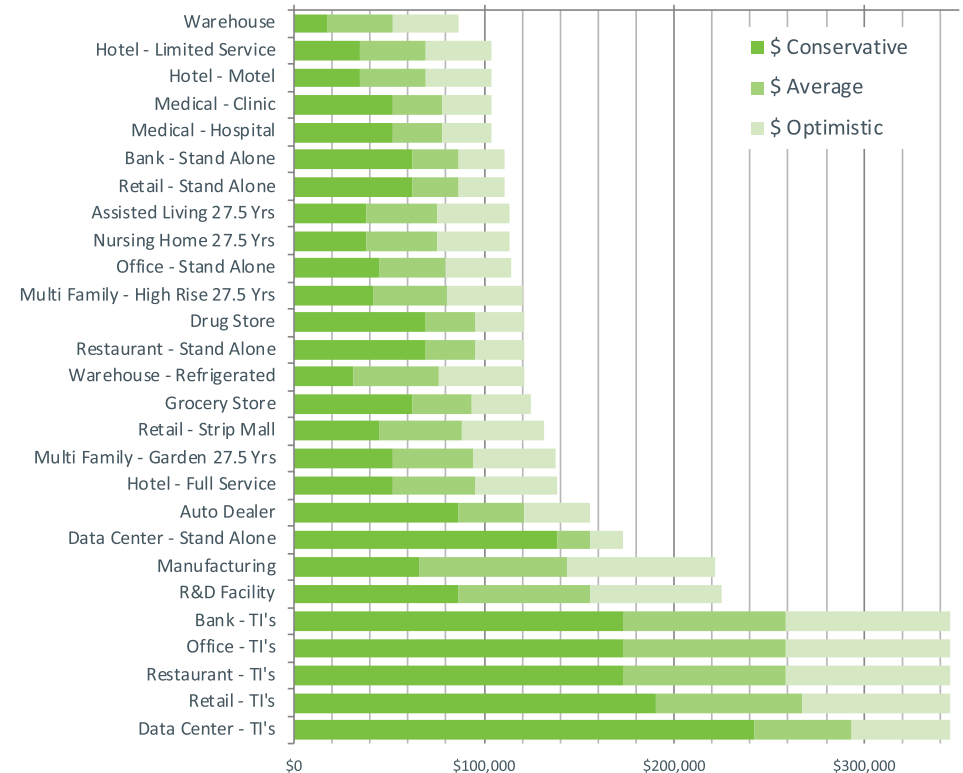
Additionally, to increase benefits, cost segregation studies may be coordinated with other services such as:

- Repairs and dispositions under the Tangible Property Regs.; as well as
- § 179, § 179D, and § 45L studies

What Makes a Building or Improvements Eligible?

- Placed-in-service since 1987
- Currently depreciating over 27.5 or 39 years
- \$500,000+ in capitalized costs
- Have been acquired, constructed, expanded, or remodeled
- The property owner must be a tax-paying entity
- Ideal building types include apartment complexes, auto dealerships, banks, hotels, manufacturers, nursing homes, office buildings, restaurants, shopping centers, warehouses, etc.

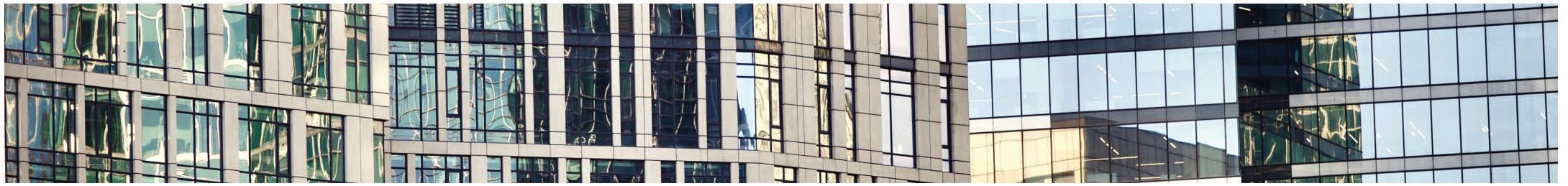
Total Potential 1st Year Increased Cash Flow



Assumptions:

- Tax benefit per \$1,000,000 of capitalized costs
- Interior improvements may be Qualified Improvement Property (QIP) where applicable
- Tax rate is 35% and the discount rate is 6%
- Bonus depreciation applies to tangible personal property, land improvements, and QIP





Property Type

Ranges of Accelerated Property

Ranges of Accelerated Depreciation

Property Type	Ranges of Accelerated Property								Ranges of Accelerated Depreciation			
	Conservative				Optimistic				Year 1		Years 1-5	
	5 - Year	7 - Year	LIP 15 - Year	QIP 15 - Year	5 - Year	7 - Year	LIP 15 - Year	QIP 15 - Year	Conservative	Optimistic	Conservative	Optimistic
Assisted Living 27.5 Yrs	8.0%	0.0%	3.0%	0.0%	18.0%	0.0%	15.0%	0.0%	\$ 108,000	\$ 324,001	\$ 92,002	\$ 276,005
Auto Dealer	10.0%	0.0%	15.0%	0.0%	20.0%	0.0%	25.0%	0.0%	\$ 246,795	\$ 444,231	\$ 221,155	\$ 398,079
Bank - Stand Alone	12.0%	0.0%	6.0%	0.0%	20.0%	0.0%	12.0%	0.0%	\$ 177,692	\$ 315,898	\$ 159,232	\$ 283,078
Bank - TI's	20.0%	0.0%	0.0%	30.0%	40.0%	0.0%	0.0%	60.0%	\$ 493,590	\$ 987,180	\$ 442,310	\$ 884,620
Data Center - Stand Alone	40.0%	0.0%	0.0%	30.0%	90.0%	0.0%	0.0%	10.0%	\$ 394,872	\$ 493,590	\$ 353,848	\$ 442,310
Data Center - TI's	40.0%	0.0%	0.0%	0.0%	50.0%	0.0%	0.0%	0.0%	\$ 691,026	\$ 987,180	\$ 619,234	\$ 884,620
Drug Store	10.0%	0.0%	10.0%	0.0%	20.0%	0.0%	15.0%	0.0%	\$ 197,436	\$ 345,513	\$ 176,924	\$ 309,617
Grocery Store	10.0%	0.0%	8.0%	0.0%	20.0%	0.0%	16.0%	0.0%	\$ 177,692	\$ 355,385	\$ 159,232	\$ 318,463
Hotel - Full Service	10.0%	0.0%	5.0%	0.0%	25.0%	0.0%	15.0%	0.0%	\$ 148,077	\$ 394,872	\$ 132,693	\$ 353,848
Hotel - Limited Service	5.0%	0.0%	5.0%	0.0%	15.0%	0.0%	15.0%	0.0%	\$ 98,718	\$ 296,154	\$ 88,462	\$ 265,386
Hotel - Motel	5.0%	0.0%	5.0%	0.0%	15.0%	0.0%	15.0%	0.0%	\$ 98,718	\$ 296,154	\$ 88,462	\$ 265,386
Manufacturing	1.0%	10.0%	8.0%	0.0%	1.0%	50.0%	13.0%	0.0%	\$ 187,564	\$ 631,795	\$ 168,078	\$ 566,157
Medical - Clinic	10.0%	0.0%	5.0%	0.0%	20.0%	0.0%	10.0%	0.0%	\$ 148,077	\$ 296,154	\$ 132,693	\$ 265,386
Medical - Hospital	10.0%	0.0%	5.0%	0.0%	20.0%	0.0%	10.0%	0.0%	\$ 148,077	\$ 296,154	\$ 132,693	\$ 265,386
Multi Family - Garden 27.5 Yrs	10.0%	0.0%	5.0%	0.0%	25.0%	0.0%	15.0%	0.0%	\$ 147,273	\$ 392,728	\$ 125,457	\$ 334,552
Multi Family - High Rise 27.5 Yrs	10.0%	0.0%	2.0%	0.0%	25.0%	0.0%	10.0%	0.0%	\$ 117,818	\$ 343,637	\$ 100,366	\$ 292,733
Nursing Home 27.5 Yrs	8.0%	0.0%	3.0%	0.0%	18.0%	0.0%	15.0%	0.0%	\$ 108,000	\$ 324,001	\$ 92,002	\$ 276,005
Office - Stand Alone	6.0%	0.0%	7.0%	0.0%	18.0%	0.0%	15.0%	0.0%	\$ 128,333	\$ 325,769	\$ 115,001	\$ 291,925
Office - TI's	20.0%	0.0%	0.0%	30.0%	50.0%	0.0%	0.0%	50.0%	\$ 493,590	\$ 987,180	\$ 442,310	\$ 884,620
R&D Facility	20.0%	0.0%	5.0%	0.0%	50.0%	0.0%	15.0%	0.0%	\$ 246,795	\$ 641,667	\$ 221,155	\$ 575,003
Restaurant - Stand Alone	12.0%	0.0%	8.0%	0.0%	25.0%	0.0%	10.0%	0.0%	\$ 197,436	\$ 345,513	\$ 176,924	\$ 309,617
Restaurant - TI's	20.0%	0.0%	0.0%	30.0%	50.0%	0.0%	0.0%	50.0%	\$ 493,590	\$ 987,180	\$ 442,310	\$ 884,620
Retail - Stand Alone	10.0%	0.0%	8.0%	0.0%	20.0%	0.0%	12.0%	0.0%	\$ 177,692	\$ 315,898	\$ 159,232	\$ 283,078
Retail - Strip Mall	5.0%	0.0%	8.0%	0.0%	20.0%	0.0%	18.0%	0.0%	\$ 128,333	\$ 375,128	\$ 115,001	\$ 336,156
Retail - TI's	15.0%	0.0%	0.0%	40.0%	30.0%	0.0%	0.0%	70.0%	\$ 542,949	\$ 987,180	\$ 486,541	\$ 884,620
Warehouse	1.0%	0.0%	4.0%	0.0%	10.0%	0.0%	15.0%	0.0%	\$ 49,359	\$ 246,795	\$ 44,231	\$ 221,155
Warehouse - Refrigerated	5.0%	0.0%	4.0%	0.0%	20.0%	0.0%	15.0%	0.0%	\$ 88,846	\$ 345,513	\$ 79,616	\$ 309,617

Assumptions:

- Tax benefit per \$1,000,000 of capitalized costs
- Interior improvements may be Qualified Improvement Property (QIP) where applicable
- Tax rate is 35% and the discount rate is 6%
- Bonus depreciation applies to \$1245, QIP property, and Land Improvements
- LIP = Land improvement property
- QIP = Qualified improvement property