Cost Segregation

By reclassifying components of a building to assets with shorter recovery periods, clients can -achieve significant tax savings and improved cash flow. The tax deferral strategy can be utilized on:

- New construction
- Existing buildings
- New purchases
- Improvements
- Remodels

Cost segregation can typically shift 25% to 40% of the building's cost to personal property.   Results vary greatly depending on:

- Cost
- Size
- Type of facility
- When it was placed into service

Average Value Misclassified

(by Property Type)

Property Type	Average Value
Manufacturing	30%-60%
Hotels	20%-30%
Apartments	15%-35%
Restaurants	20%-35%
Office Buildings	20%-35%
Research & Development	10%-40%
Hospital	20%-35%
Retail	25%-40%
Tenant Improvement	20%-40%
Grocery Stores	25%-40%
Nursing Home	25%-30%
Funeral Home	25%-35%
Auto Dealership	30%-40%
Shopping Center	25%-40%
Mini Storage Facilities	15%-25%

Cost Segregation Success Stories

Department Stores (18)

$70 Million – Depreciable Basis

21% Reclassed

$12 Million Y1 Additional Depreciation

$4.7 Million Y1 Tax Savings

NPV of Study: $2.8 Million

Mixed Use Development

$15 Million – Depreciable Basis

46% Reclassed

$3.9 Million Y1 Additional Depreciation

$1.65 Million Y1 Tax Savings

NPV of Study: $1.6 Million

Hotel

$10 Million – Depreciable Basis

26% Reclassed

$1.4 Million Y1 Additional Depreciation

$600,000 Y1 Tax Savings

NPV of Study: $628,000

Tenant Improvements

$5 Million – Depreciable Basis

30% Reclassed

$761,000 Y1 Additional Depreciation

$320,000 Y1 Tax Savings

NPV of Study: $346,000

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