



# Cost Segregation Studies

## Reduce Taxes And Increase Cash Flow

Cost segregation is a strategic tool that allows companies and individuals to increase their cash flow by maximizing depreciation benefits for tax purposes. Specifically, it is an analysis of the capital expenditures or investment made in a residential or commercial building that results in the proper classification of costs between real and personal property for the purpose of determining tax deductions for depreciation.

A cost segregation study is used to identify, segregate, and reclassify components of a project into asset classes, which can be depreciated over shorter periods of time and using methods that accelerate the amount of the deductions. The value of the process is the increased cash flow generated by the tax savings realized through accelerated depreciation deductions.

## Is Your Structure Eligible For Cost Segregation?

Although the optimal time to begin a cost segregation study is when plans to build, remodel, or expand a building are first drafted, eligibility extends to:

- Buildings and facilities that have been newly constructed since 1987.
- Buildings and facilities constructed before 1986, but acquired in a taxable transaction after 1986.
- Building renovations and additions completed after 1986.

The first step is the segregation of the project costs into specific asset groups. The costs to be segregated include the actual direct costs of construction or acquisition and the indirect or “soft costs” (i.e. legal, architectural, engineering fees, appraisals, construction management, etc.) The second step is categorizing the assets based on the appropriate depreciable lives for income tax purposes.

By identifying, segregating, and reclassifying costs related to 5, 7, 15, and 20 year property from the 27.5 or 39 real property categories, such property can be depreciated over a much shorter time frame. In addition, the 5, 7, 10, 15, and 20 year property classes are depreciated using accelerated methods, which further increase the deductions in early years.

## Benefits Of Cost Segregation Studies

- Reduces income taxes, in addition, real estate taxes and personal property taxes may be reduced.
- Increases cash flow.
- Maximizes tax credits.
- Provides an opportunity to claim ‘catch up’ depreciation on previously misclassified assets.
- Provides information that is valuable in managing capitalized assets.

## The Benefits Are Better Than Ever

Recent tax law changes provide for additional bonus depreciation deductions for newly acquired personal property in addition to the regular depreciation deduction. The bonus depreciation is not allowed on real property acquisitions. Cost segregation studies will identify items that would otherwise be classified as real property and classify them as personal property qualifying for the bonus depreciation. The bonus depreciation will significantly enhance the cash flow benefits provided by cost segregation.

## Our Expertise

Bedford Capital Consulting has completed over 1200 studies in 5 years of its existence. We employ only PE certified engineers to complete your study and provide free audit defense on projects we complete. Each completed report is reviewed by the senior engineer of our company and our VP of Tax to ensure IRS compliance and security for you.

**For more information on cost segregation studies or to learn how your company can reap the benefits, please contact:**

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