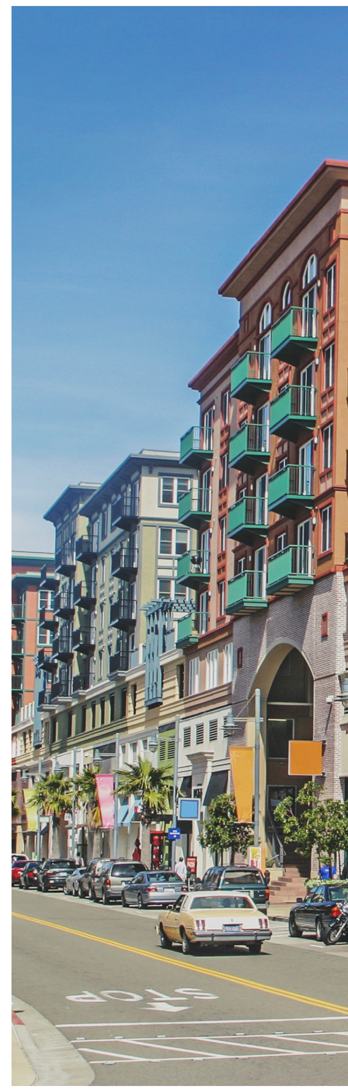
COST SEGREGATION SERVICES

KBK G
SOLUTIONS FOR TAX PROFESSIONALS AND BUSINESSES
Tax Credits • Incentives • Cost Recovery

WHAT IS COST SEGREGATION?

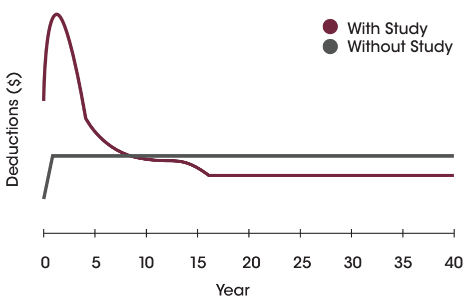
Cost Segregation is a strategic tax savings tool that allows companies and individuals, who have constructed, purchased, expanded or remodeled any kind of real estate, to increase cash flow by accelerating depreciation deductions and deferring federal and state income taxes.

In general, it is easy to identify furniture, fixtures, and equipment (FF&E) that are depreciated over 5 or 7 years for tax purposes. However, a Cost Segregation Study goes far beyond that by dissecting construction costs that are usually depreciated over 27 ½ or 39 years. The primary goal of a Cost Segregation Study is to identify all construction-related costs that can be depreciated over 5, 7 or 15 years. Reducing tax lives results in accelerated depreciation deductions, reduced tax liability, and increased cash flow. Conducting a quality study involves review of cost details and blueprints, site inspection, photo documentation, cost estimation, and preparation of the report.



BENEFITS OF ACCELERATED DEPRECIATION

The depreciation of a property with a Cost Segregation Study allows for a significant increase in deductions within the first 5 years.



Assuming a combined tax rate of 41% and a return on investment factor of 8%, every $100,000 of costs shifted from 39-year property to 5-year property creates a present value tax benefit of approximately $22,000. Every $100,000 of costs shifted from 39-year property to 15-year property creates a present value tax benefit of approximately $12,000.

< The graph illustrates how a building's depreciation schedule would look with a study vs. without a study.

WHO CAN BENEFIT?

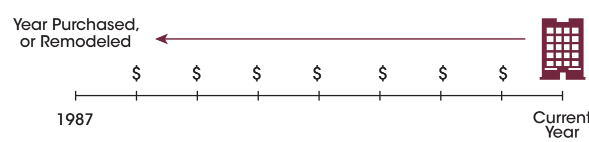
Any structure used for business or as rental property is eligible for the benefits of Cost Segregation. Leasehold improvements or renovation costs may also qualify. These are just a few examples of the types of results from a study. Please contact us for more information on your specific property type.

PROPERTY TYPE	PERCENTAGE REALLOCATED
Offices	12 - 25%
Apartments	20 - 30%
Retail Stores	15 - 32%
Auto Dealerships	20 - 35%
Restaurants	23 - 40%
Veterinary Facilities	25 - 40%
Manufacturing Facilities	30 - 60%

^ The above graph represents typical percentages of costs that are reclassified from either 27½ or 39-year real property to 5, 7, or 15-year property.

TIMING IS EVERYTHING

The ideal time for a Cost Segregation Study can vary depending on an owner's tax situation. Although the optimum time for a study is during the year a building is constructed, purchased, or remodeled, a study can be completed anytime afterward. In fact, current Internal Revenue Service procedures make it easy to go back and claim missed depreciation on assets acquired as far back as 1987 without amending prior tax returns. Our experts will help analyze your tax situation to identify the right timing for you.



KBKG is a national tax specialty firm with offices across the U.S. To see if you qualify, call us or visit KBKG.com/qualify for more information.