CSSI®
Cost Segregation Services Incorporated

# 3 SIMPLE STEPS TO STOP OVERPAYING INCOME TAXES

## Step 1: Analyze

Request your complimentary CSSI® Property Analysis. This is a preliminary review that includes:

- Increased cash flow analysis
- Net present value of the savings
- An associated cost and simple process outline to complete the study

## Step 2: Review

Upon engagement, CSSI® will:

- Consult with you and your tax professional regarding your tax savings
- Evaluate the building's construction costs by component and building systems
- Review all construction documents, including blue prints, as-built drawings, demolition plans, and available project specifications
- On-site inspection and walk-through to photographically document building components, systems, site improvements, and any renovations

## Step 3: Complete

Your CSSI® Study is performed and completed within approximately six weeks. This includes:

- Reclassifying each building component into more appropriate tax lives as prescribed by tax code guidelines
- Allocating indirect costs to each asset
- Delivering a written report with the asset detail supporting the reclassification and completion of the necessary tax forms
- Assisting your tax professional in the completion of all applicable tax forms

Contact Mark Gross for any questions and a free preliminary analysis for any property nationwide.

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# HOW COST SEGREGATION REDUCES TAXES

Typically, a building's basis or cost, excluding land, is depreciated over 27.5 for residential properties or 39 years for other property types, which is known as the straight-line method. This method is the default position of most tax professionals. However, there is an alternative called cost segregation, which takes the parts and pieces or components of the building and separates them. Each component is depreciated on its individual useful life instead of taking all the assets and depreciating it under the structure of the building.

Cost segregation is based on a tax court action from 1997 between the Hospital Corporation of America (HCA) and the IRS. The HCA triumphed in the landmark case, and cost segregation could no longer be challenged.

Cost segregation is the process of analyzing and identifying 1245 personal property and 1250 real property. The 1245 property that is eligible for shorter class lives is then depreciated separately from the building structure. Moving assets into a shorter class life will create a large depreciation expense, which reduces income, thus reducing income taxes. This provides a significant tax benefit for the taxpayer. These and many other items that are inside the building can be depreciated over five years. The principal characteristic of 1245 personal property is that it is readily movable rather than permanently affixed.

Land improvements are also identified under cost segregation. Land improvements have a 15-year class life and include parking lots, curbing, landscaping, sidewalks, exterior signage, and more.

New construction is not the only circumstance when cost segregation can be performed. Routinely, cost segregation studies are performed on buildings that have been in service for ten years or more. Any buildings with a remaining depreciable basis are potential candidates.