



Cost Segregation

IMPROVE YOUR RETURN ON INVESTMENT

COST SEGREGATION SERVICES:

- Cost identification, analysis and reconciliation
- Allocation of indirect costs
- Identification of component cost for reclassification
- Detailed project cost analysis by asset class
- Calculation of net present value of tax benefits
- Preparation of detailed engineering-based report

If you or your business have constructed, renovated or purchased a commercial property, a Cost Segregation Study could improve your short-term cash flow and long-term financial strategy. A Cost Segregation Study (CSS) is a combined comprehensive, engineering, and financial study of a commercial facility which identifies asset costs that can be assigned shorter depreciable lives.

Generally, an investment in real estate is depreciable over 39 years. CSS recharacterizes some of these costs to be depreciated over 5, 7 and 15 years. This, in turn, accelerates depreciation expense and decreases taxable income. As a taxpayer, you pay less tax during the early stages of a property's life, providing you with improved after-tax cash flows. The net present value of the differential in the annual tax benefits, over 39 years, quantifies the value of the CSS.

A properly documented CSS can help resolve IRS inquiries at the agent level, while improper documentation of cost and asset classification may lead to an unfavorable audit adjustment. B&R's approach to CSS closely follows procedures outlined in the IRS Cost Segregation Audit Guide. Cost Segregation Studies benefit a wide range of properties. The tax deferral opportunities exist when you build a new facility, acquire a new or existing facility, or choose to renovate, remodel or expand.

B&R's Tax Services Group has completed more than 300 projects, and our experience with these studies indicates the net present value of the tax benefits provided by a CSS ranges from approximately 4% - 8% of total facility costs, excluding land. Proper identification and allocation of construction-related costs into assets with short recovery periods is one of the most significant opportunities to reduce your income tax liabilities and improve cash flow.

For more information on Cost Segregation Studies and B&R's Tax Services Group, please contact:

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