

Lower Taxable Income using Cost Segregation

Did you have a strong 2019, but 2020 will be challenging? Get Back 2019 Taxes you've Paid to help weather the 2020 Economic Crisis.

If your Accountant is applying Straight-line Depreciation to your Commercial Building vs Accelerated Depreciation using an IRS approved Cost Segregation Analysis, your 2019 tax bill is likely tens or even hundreds of thousands higher than necessary.

Cost Segregation determines value of individual building components to maximize allowed Depreciation to defer taxable income. Many systems in commercial property fall into 5, 7, 15 or 20 year depreciation categories, yet many assets are depreciated evenly over 39 years (or 27.5 for tenant occupied property). The primary benefit of Cost Segregation is to defer significant tax obligations until the property is sold.

Case Study - Office/Warehouse

- **Building Purchase Cost: \$2,000,000 in 2015**
- **Previous Depreciation: Straight-line @ \$52,000/yr**
- **2018 Cost Segregation Analysis Results: ID'd \$425,000 in 5 yr and \$450,000 in 15 yr Depreciation (vs 39 yr)**
- **2018 Taxable Income Reduction: \$214,000 vs \$52,000 Straight-line**
- **Additional Accelerated Depreciation in following years.**
- **Further Benefit: Building Systems (Roof, HVAC etc) Assigned Value for Future Replacement Tax Benefit**

Business Owners Take Advantage of Cash Flow Benefits of Cost Segregation to:

- **Fund Operations in Down Market;**
- **Invest and Grow Their Business;**
- **Avoid High Interest Lines of Credit;**
- **Pay Down Existing Debt**

Cost Segregation
Accelerates
Depreciation and
Allows Building
Owners to **Depreciate**
Remaining Life of a
Replaced Asset. Not
possible using
Straight-line.

Case Study – Office Building

- **Building Purchase Cost: \$3,272,000 in July, 2014**
- **2019 Taxable Income Reduction: \$565,000 vs \$83,000 Straight-line**
- **2019 Roof Replaced – Cost Segregation Allowed Determination and Disposition of Remaining Life of the Roof**
- **Write-Down of Remaining Life of Replaced Roof - \$179,000 Reduction**

TOTAL 2019 TAXABLE INCOME REDUCTION: \$744,000

PLEASE CONTACT US TODAY TO DETERMINE IF YOUR PROPERTY IS A GOOD CANDIDATE.



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