

What is Cost Segregation?

Accelerate Depreciation to Increase Cash Flow and Reduce Taxes



In the array of strategic tax planning tools, cost segregation is one that offers a high return on investment. With cost segregation, commercial property owners can increase their cash flow by accelerating depreciation deductions, and deferring state and federal income taxes.

Commercial buildings have a depreciable life of 39 years, and residential rental property has a depreciable life of 27.5 years. Cost segregation is the process of obtaining a study to dissect construction costs and non-structural elements within these buildings, and identify costs that can be depreciated over 5, 7, or 15 years.

By receiving a higher depreciation deduction today, you can reduce your current tax bill and re-invest in your business

Tax law changes under the Tax Cuts and Jobs Act of 2017 gave a boost to cost segregation, as bonus depreciation on certain qualifying assets was increased from 50% to 100%.

A quality cost segregation study that is carried out by a specialist will result in detailed insight and analysis, including a review of blueprints and cost detail, photo documentation, site inspection, cost estimation, and preparing a report.

While getting a cost segregation study might seem like a large investment at first, the benefits of increased cash flow are substantial.

Who Can Benefit?

Any commercial real estate acquired or built after 1986 is likely to qualify. For example, structures used for business or structures used as rental property are excellent candidates.

This includes

- new construction
- acquired buildings
- expansions
- remodels

Specific results for each property type will vary, so to get results customized for your properties please contact us.

Getting the Timing Right

In general, you will want to perform a cost segregation study in the same year that a building is remodeled, purchased, or constructed. However, current IRS procedure makes it simple to claim missed depreciation going back as far as 1987, and you won't have to amend prior tax returns to do it.



Get Started Today

Cost segregation is one of the most valuable tools in strategic tax planning, as the benefits of performing a study dramatically outweigh the costs. We analyze your current business, assess savings opportunities, and work to implement a tax savings plan. Set up a free call with us to discuss how we can help your business.

SERVICES

Business Incentive Advisory

Incentive studies offered for income tax, payroll tax, property tax, sales tax, and cash grants among other advisory services that companies can benefit from.

Cost Segregation Studies

Tax study based on engineering and IRS technical guidance to provide accelerated depreciation opportunities on acquisitions, new construction, tenant improvements, and/or expansions of facilities.

Employee Incentives

Advisory study based on identifying and working with clients on maximizing incentive opportunities for businesses that invest locally.

Compliance Services

Tax laws are complicated and ever-changing. Our tax advisors keep up with these changes for you and will ensure that your company is within all local and federal regulations.

Research and Development

Consulting based on IRS and state based guidance regarding activities that qualify for the research and development credit.

Training Incentives

Consulting service dedicated to working with clients to maximize opportunities to receive grants and other types of financial incentives to invest in their workforce.

“Hito took the time to understand our whole business, then worked alongside our CPA to quickly identify tax saving opportunities. . . We love the results they got us, and also how well the team works alongside our own.”

- Fletcher Wimbush, CEO

