

Cost Segregation Studies

Providing cash flow at a time when cash is critical.



- Accelerate depreciation
- Create additional tax deductions
- Defer income tax
- Increase cash flow
- Provide other additional opportunities



A cost segregation study is an in-depth, engineering-based analysis of the costs associated with the acquisition, construction, or renovation of a building. The study identifies and reclassifies the cost of eligible personal property, land improvements, and qualified leasehold improvements. The recognized assets are then depreciated over 5, 7, or 15 years, using an accelerated method, rather than the standard 27.5-year or 39-year straight-line method used for most real estate. This enables the owner to maximize their tax depreciation deduction, thereby reducing current income tax obligations and increasing cash flow.

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Who Can Benefit?

If you are purchasing an existing building, constructing a new building, expanding or renovating a building you already own, or constructing or abandoning leasehold improvements, then you can derive benefits from a cost segregation study. Even if you purchased, constructed, or expanded the building in a prior year, a cost segregation study and a simple change in accounting method can allow you to currently claim the depreciation deductions you failed to claim in prior years without having to amend prior-year returns.

- Manufacturing and industrial plants
- Health and long-term care facilities
- Financial institutions
- Automobile dealerships
- Distribution centers and warehouses
- Office buildings
- Restaurants and hotels
- Retail and convenience stores
- Shopping centers
- Apartment buildings

What can you expect?

(Average project cost allocated to each depreciation class)

	Office Building	Retail Property	Food Service Building	Light Mfg. Property	Heavy Mfg. Property
5-YEAR PROPERTY	1% - 4%	12% - 15%	20% - 23%	2% - 5%	2% - 5%
7-YEAR PROPERTY	8% - 11%	1% - 4%	1% - 4%	25% - 28%	50% - 53%
15-YEAR PROPERTY	8% - 11%	12% - 15%	12% - 15%	10% - 13%	15% - 18%
39-YEAR PROPERTY	74% - 83%	66% - 75%	58% - 67%	54% - 63%	24% - 32%

Why Choose Wipfli?

Cost segregation studies are both an art and a science — even the IRS recognizes that there is no easy, bright line test for identifying personal property. Wipfli's unique team has the right combination of engineering skills, construction knowledge, and income tax expertise to deliver an independent, third-party report that maximizes your depreciation benefits and provides fully documented support should you ever be audited by the IRS. Wipfli's cost segregation team has provided high-quality cost segregation services for over 20 years, successfully conducting thousands of studies nationwide. Our studies are based on a detailed engineering approach, which is specifically preferred by the IRS, and each report meets the IRS' "13 Principal Elements of a Quality Cost Segregation Study," as specified in their internal Audit Techniques Guide. We would be happy to provide you with a fee quote, including projected tax savings, so you can determine the potential return on investment achieved by having a cost segregation study conducted.