



Increase Profits From Real Estate Investments

Cost Segregation



What is **Cost Segregation?**



Cost Segregation is an analysis that itemizes each component within a real estate project and separates the personal, tangible property from real property.

This can result in significant upfront tax savings, allowing a dramatic increase in depreciation within the first few years. It works by classifying tangible property (like flooring, fixtures, and appliances) into shorter class lives (5, 7, or 15 years) instead of the standard 27.5 or 39 years for the entire building, and is applicable to all property types.



How Much Money Could You Save?

Many components can be accelerated via a Cost Segregation study, your purchase price was \$1 million (for instance), you could accelerate \$300,000-400,000 for much faster depreciation which also qualifies for bonus depreciation. This could significantly reduce your taxable income and improve the return on your investment.



Who Are The Ideal Candidates for Cost Segregation?

If you own real estate purchased or built within the past 15 years and have tax liabilities, a Cost Segregation study could save you money.

This study identifies building components that can be depreciated over shorter periods (5, 7, or 15 years) rather than the standard 27.5 or 39 years. This applies to both residential and commercial properties, like:

- Single Family Homes
- Short-Term Rentals
- Self Storage, Hotels
- Office
- Retail
- Restaurants
- Pharmacies
- Distribution/Warehouse
- And More



Bonus Depreciation & its Benefits

Learn how it impacts your taxes as a property owner



What Is Depreciation?

Depreciation spreads the cost of a tangible asset (like a building or piece of equipment) over its useful life, reducing your taxable income without actual cash outflow.

How Depreciation Works

Useful Life of Assets

Each depreciable asset has a “useful life” defined by the IRS, which is the estimated period the asset will be usable for business or income generation.



Depreciation Methods

1. Straight-Line Depreciation:

This method divides the cost of an asset evenly over its useful life.

2. Double Declining Balance:

This method doubles the straight-line rate, addressing faster value loss initially.

3. Sum-of-the-Years' Digits:

This method allocates depreciation based on a fraction of the sum of the asset's life years, with more in earlier years.



MACRS: The System Behind the Deduction

The Modified Accelerated Cost Recovery System is the IRS framework for calculating depreciation on your business assets. When leveraged correctly, it allows for larger deductions in the early years of property ownership.



The Impact of Depreciation

- Reduces your taxable income each year.
- Improves your business's financial picture.
- Frees up capital for expansion and improvement projects.



Accelerated Depreciation by Property Type

Check out your property types below with our reclassification table.

See how much depreciation can be accelerated for your investment property!

Property Type	Depreciation Acceleration
Apartment Building	20-40%
Assisted Living Facility	22-45%
Auto/Car Dealership	29-35%
Bank	30-45%
Car Wash	75-100%
Gas Station	50-100%
Conference Center	25-35%
Fitness Center/Gym	22-45%
Golf Course	28-60%
Grocery Store	20-45%
Hospital	25-45%
Manufacturing Facility	18-40%
Medical Office/Clinic	20-40%
Mixed-Use Property	22-35%
Mobile Home/RV Park	20-40%
Office Building	20-40%
Research Facility	20-30%
Hotel/Resort	22-45%
Restaurant	25-45%
Retail Strip Mall	20-40%
Self-Storage Facility	18-90%
Theme Park	30-68%
Vacation Rental	25-45%
Warehouse	20-30%



When Should You Do a Study?

The best time for a Cost Segregation study is before any rehab work begins. This provides a clear baseline for costs and makes it easier to document everything for optimal tax benefits. Studies done after rehab are possible, but more complicated.



How to Get Started

How do you get started with a cost segregation study?

It's very simple: call us, and we'll handle the rest! Engineered Tax Services will be happy to provide you with a free Cost Segregation feasibility study based on basic building information.

We will:

- Analyze your tax situation and plans to confirm suitability.
- Evaluate your building's construction costs.
- Review construction documents and conduct a site visit.
- Classify building components according to IRS tax guidelines.
- Prepare a detailed report to support your tax deductions.





Innovative | Ethical | Transparent

www.engineeredtaxservices.com

