



**Stay Compliant, Save Money.
Accelerated Depreciation & Repair Regulations.
IRS-Approved**

PROPERTY ANALYSIS

The premier company providing IRS defined engineering-based
cost segregation studies for U.S. properties.

HISTORY OF COST SEGREGATION SERVICES, INC.

Shortly after the landmark decision in the 1997 Hospital Corporation of America (H.C.A.) vs. IRS tax case, our founder Jim Shreve was commissioned by a New York City tax attorney, who worked on the H.C.A. vs. IRS case, to develop the protocols and processes to provide IRS defined engineering-based cost segregation studies for commercial property owners. Mr. Shreve developed an efficient, affordable, and compliant IRS defined engineering-based method to provide cost segregation studies for commercial and residential rental properties in the United States. Through the development of his application Cost Segregation Services, Inc. (CSSI®) was formed with the purpose of providing IRS defined engineering-based cost segregation studies for property owners of all sizes.

CSSI® is the premier company providing IRS defined engineering-based cost segregation studies for U.S. property owners. Currently CSSI® has successfully completed over 15,000 studies nationally, and has completed studies of properties ranging from \$150,000 to \$750 million in cost.



WHAT IS COST SEGREGATION?

Cost Segregation is an IRS-approved application by which commercial property owners can accelerate depreciation and reduce the amount of taxes owed. This savings generates substantial cash flow that owners often use to reinvest in the business, purchase more property, apply to their principal payment or spend on themselves.

Actual Cost Savings by Cost Segregation IRS Defined Engineering-based Studies

Facility Type	Total Property Cost	First Year Cash Flow From Tax Savings	Five Year Cash Flow From Tax Savings
Office Condo	\$480 Thousand	\$12,783	\$31,229
Leasehold Improvements	\$1.40 Million	\$53,751	\$131,569
Restaurant	\$2.68 Million	\$71,374	\$173,503
Warehouse	\$6.37 Million	\$108,488	\$248,559
Medical Facility	\$8.90 Million	\$151,576	\$347,281
Apartments	\$15.1 Million	\$236,763	\$570,288
Retail Strip Center	\$22.3 Million	\$379,793	\$848,160

HOW DOES COST SEGREGATION WORK?

Cost Segregation Services, Inc. (CSSI®), an experienced and qualified company, performs the IRS defined engineering-based cost segregation study on your property. The study accelerates the depreciation of your building/renovation components into shorter depreciation categories such as 5-, 7-, 15-year rather than conventional 27.5- and 39.5-year schedules. Five- and 7-year items might include decorative building elements, electrical for dedicated

computer equipment, and carpet. Fifteen-year items might include site utilities, landscaping and paving. This IRS defined engineering-based cost segregation study results in a much higher depreciation expense and significantly reduced taxable income for the property owner. Best of all, the IRS ruling states cost segregation can be applied to categories of buildings purchased or built since 1986, including renovations, and there is no need to amend your tax returns.

REPAIR REGULATION **VALUATION EXPERTS**

The new 2014 IRS Tangible Repair Regulations a.k.a. “repair regs” bring about complicated compliance issues but also significant economic benefits. The regulations provide guidelines for building owners to make the determination to expense or capitalize purchases on buildings. CSSI® regularly presents webinars and workshops for CPAs and building owners, providing them with information they need to apply the regulations in their businesses. Not only do we teach you what’s important, but we are also the valuation experts you need to help you and your CPA achieve compliance and receive the economic benefits available through the regulations.

THE **CSSI®** DIFFERENCE

FOCUSED

We are singularly focused on providing IRS defined engineering-based cost segregation studies. Our goal is to support your CPA or tax advisor with the most accurate IRS defined engineering-based cost segregation study results so you can realize maximum savings and increased cash flow.

AFFORDABLE

We provide an IRS defined engineering-based study that is affordable for your commercial property application.

COMPLIANT

Our IRS defined engineering-based study method allows us to provide not only the best possible results, but also adheres to IRS guidelines and recommendations. In addition, we stay up to date on the IRS repair regs which define how property owners should make capitalization or expense decisions.

INDEPENDENT

CSSI® is classified as an independent IRS defined engineering-based study specialist meeting the specifications stated by the IRS in regard to commercial property owners applying cost segregation applications, and the IRS repair regs.



WHAT ARE THE PROFESSIONALS SAYING?

IRS – Capitalization of Tangible Property

Taxpayers have used cost segregation studies for many years. Historically these studies have resulted in advantageous depreciation deductions for taxpayers. These studies now serve additional purposes. Not only do they reclassify a building’s components into assets with shorter class lives but they also identify building systems for purposes of applying the improvement rules. With the issuance of the final regulations, the demand for cost segregation studies is on the rise.

~*IRS Audit Technique Guide – September 2016*

AICPA, The Best of Both Worlds

“Selecting a firm that uses qualified professionals with years of significant, relevant experience can be an important differentiator in the quality of a cost segregation study.”

~*William Edward Allen III, CPA and Mary B. Foster, Esq.*

The Practicing CPA

“A good relationship with an established, experienced cost segregation provider is important so that, if the IRS inquires about a cost-segregation study three or more years down the line, the provider is willing and able to stand behind the work.”

~*William J. Barnes, CPA, CFP, CDFA, MST*

CCH TPR Certificate Program

“Cost Segregation, matched with Repair & Maintenance considerations, is now more valuable than ever to building owners.”

~*Eric Wallace, CPA, working with CSSI®, TPRToolsandTemplates.com*

PROPERTY ANALYSIS

The following property analysis documents represent an IRS defined engineering-based method of cost segregation with conservative benchmarks of accumulative cash flow. Repair regulation tax benefits may include the following:

- Disposition deduction
- Removal Cost deduction
- Capital to Expense Reversal

A building and its structural components is a single unit of property under IRS tax code 1.263(a)-3(e) (2) of the Final Tangible Property Regulations. The new regulation requires the separate identification of each building on a single property, each being its own Unit of Property. A building is further defined to its nine building systems which are HVAC, Plumbing, Electrical, Escalators, Elevators, Fire Protection and Alarm, Security, Gas Distribution, and any other components identified in published guidance.

A building systems analysis must be done when determining if an expenditure to a particular building system is to be expensed or capitalized. Our reports will identify the depreciable basis of each building system along with the current replacement cost of each building system. This allows your tax professional to satisfy the ratio test to determine expense vs capital in its accounting application.

Cost Segregation is a sure method to compliance under the new Repair Regulations. Let CSSI be your calculation experts.

It's your money. Keep more of it.

THIS DOCUMENT HAS BEEN PREPARED WITH THE FOLLOWING:

- Estimated Savings Overview
- Repair Regulations Overview
- Depreciation Comparison Chart
- NPV Analysis
- Engagement Letter (with fee)
- Documents Required Sheet



Funeral Home

Estimated Savings Overview

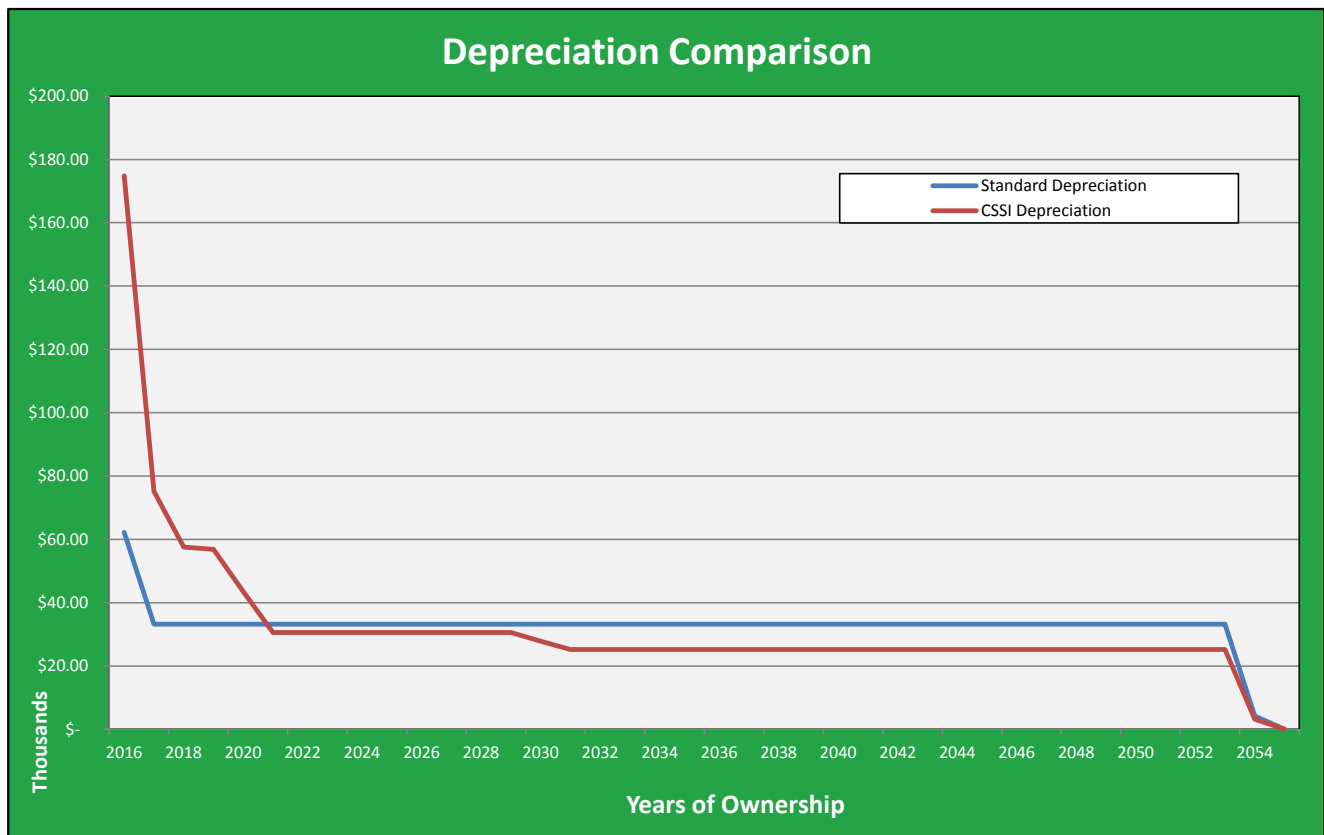
We are pleased to provide this Cost Segregation Study Property Analysis for Funeral Home. The following chart outlines the benchmark estimate for the expected results. We look forward to visiting with you to review these favorable economic results.

Building Cost	\$ 1,293,823		
Date Acquired:	February 2015		
Tax Year:	2016	2017	2020
Current Method			
Accumulated Depreciation Reported 39 year straight line method	\$ 62,246	\$ 95,419	\$ 194,940
Alternative Method			
Cost Segregation Study Accumulated Depreciation			
5 yr.	\$ 114,374	\$ 156,604	\$ 219,950
15 yr.	\$ 13,132	\$ 20,876	\$ 39,763
39 yr.	\$ 47,307	\$ 72,519	\$ 148,155
Total	\$ 174,813	\$ 249,999	\$ 407,867
Results for Tax Year:	2016	2017	2020
Increased Accumulated Depreciation Expense	\$ 112,567	\$ 154,580	\$ 212,927
Tax Rate (Estimated)	36.0%	36.0%	36.0%
Estimated Accumulated Tax Savings Benefit	\$ 40,524	\$ 55,649	\$ 76,654

These results represent a benchmark of the expected results. The accumulated tax reduction benefit estimated for tax year 2016 is \$40,524, and the accumulated tax reduction benefit estimated for tax year 2017 is \$ 55,649. The tax reduction benefit accumulates to an estimated \$ 76,654 in tax year 2020.

Funeral Home

CSSI Depreciation vs. Standard Depreciation



The above chart demonstrates accelerated depreciation through cost segregation compared to standard depreciation over the remaining life of the commercial property.

Cost Segregation Application Analysis

Funeral Home

Property Class	With Analysis		Without Analysis	
	Percentage Assumed	Depreciable Basis	Percentage Assumed	Depreciable Basis
5 Year Property	17.0%	219,950	0.0%	0
7 Year Property	0.0%	0	0.0%	0
15 Year Property	7.0%	90,568	0.0%	0
39 Year Property	76.0%	983,305	100.0%	1,293,823
Total Value of Building	100.0%	\$ 1,293,823	100.0%	\$ 1,293,823

Building Cost : \$ 1,293,823
 Property Acquisition Date : February 2015
 Years of Ownership (X=) : 40
 Last Tax Year of Ownership : 2054
 Present Value Rate of Return : 8.000%

Tax Year Cost Segregation Applied : 2016
 Estimated Study Fees : \$ 7,525
 Estimated Tax Rate : 36.0%
 Estimated After-Tax Study Fees : \$ 4,816

Tax Year of Ownership	5 Year Depreciation With Analysis	7 Year Depreciation With Analysis	15 Year Depreciation With Analysis	39 Year Depreciation With Analysis	Total Depreciation With Analysis	39 Year Depreciation W/O Analysis	Total Depreciation W/O Analysis	Timing Difference	Tax Effect of Timing Difference / Amount Available to Invest After Fees	Cumulative Present Value of Tax Effect	Cumulative Future Value When Cost Segregation Applied After "X" Years
2016	114,374	0	13,132	47,307	174,813	62,246	62,246	112,567	35,708	35,708	665,075
2017	42,230	0	7,744	25,212	75,186	33,174	33,174	42,012	15,124	49,712	925,905
2018	25,338	0	6,969	25,212	57,519	33,174	33,174	24,346	8,764	57,226	1,065,858
2019	25,338	0	6,273	25,212	56,823	33,174	33,174	23,649	8,514	63,985	1,191,736
2020	12,669	0	5,645	25,212	43,526	33,174	33,174	10,353	3,727	66,724	1,242,758
2021		0	5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	66,084	1,230,831
2022		0	5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	65,491	1,219,787
2023			5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	64,942	1,209,562
2024			5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	64,434	1,200,094
2025			5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	63,963	1,191,327
2026			5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	63,527	1,183,210
2027			5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	63,124	1,175,694
2028			5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	62,750	1,168,734
2029			5,348	25,212	30,560	33,174	33,174	(2,614)	(941)	62,404	1,162,290
2030			2,673	25,212	27,885	33,174	33,174	(5,289)	(1,904)	61,756	1,150,217
2031				25,212	25,212	33,174	33,174	(7,962)	(2,866)	60,852	1,133,388
2032				25,212	25,212	33,174	33,174	(7,962)	(2,866)	60,016	1,117,805
2033				25,212	25,212	33,174	33,174	(7,962)	(2,866)	59,241	1,103,378
2034				25,212	25,212	33,174	33,174	(7,962)	(2,866)	58,524	1,090,018
2035				25,212	25,212	33,174	33,174	(7,962)	(2,866)	57,859	1,077,649
2036				25,212	25,212	33,174	33,174	(7,962)	(2,866)	57,245	1,066,195
2037				25,212	25,212	33,174	33,174	(7,962)	(2,866)	56,675	1,055,590
2038				25,212	25,212	33,174	33,174	(7,962)	(2,866)	56,148	1,045,771
2039				25,212	25,212	33,174	33,174	(7,962)	(2,866)	55,660	1,036,679
2040				25,212	25,212	33,174	33,174	(7,962)	(2,866)	55,208	1,028,260
2041				25,212	25,212	33,174	33,174	(7,962)	(2,866)	54,789	1,020,465
2042				25,212	25,212	33,174	33,174	(7,962)	(2,866)	54,402	1,013,248
2043				25,212	25,212	33,174	33,174	(7,962)	(2,866)	54,043	1,006,565
2044				25,212	25,212	33,174	33,174	(7,962)	(2,866)	53,711	1,000,377
2045				25,212	25,212	33,174	33,174	(7,962)	(2,866)	53,403	994,647
2046				25,212	25,212	33,174	33,174	(7,962)	(2,866)	53,118	989,342
2047				25,212	25,212	33,174	33,174	(7,962)	(2,866)	52,855	984,430
2048				25,212	25,212	33,174	33,174	(7,962)	(2,866)	52,610	979,882
2049				25,212	25,212	33,174	33,174	(7,962)	(2,866)	52,384	975,670
2050				25,212	25,212	33,174	33,174	(7,962)	(2,866)	52,175	971,771
2051				25,212	25,212	33,174	33,174	(7,962)	(2,866)	51,981	968,160
2052				25,212	25,212	33,174	33,174	(7,962)	(2,866)	51,801	964,817
2053				25,212	25,212	33,174	33,174	(7,962)	(2,866)	51,635	961,721
2054				3,156	3,156	4,153	4,153	(997)	(359)	51,616	961,363
Total	\$ 219,950	\$ 0	\$ 90,568	\$ 983,305	\$ 1,293,823	\$ 1,293,823	\$ 1,293,823				

Greg Perkins
 (866) 277-9121

Benefit Analysis at End of Ownership	
Cumulative Net Present Value of Benefit	\$ 51,616
Cumulative Future Value of Invested Savings	\$ 961,363



Cost Segregation Study Engagement Letter

We are pleased to provide this engagement letter to you outlining the Cost Segregation Study for your firm by Cost Segregation Services, Inc. Our analysis will entail a cost classification study, the preparation of the cost segregation report, and the review with your CPA for the application of depreciation for these assets. These results will be applied to your financial records by your CPA.

Our engagement is divided into the following two phases.

PHASE I: Preliminary Analysis and Identification

This phase of the engagement consists of familiarization with the project, establishment of the working relationship between our firm, your organization and others (architect, engineer, and general contractor), and preliminary identification of asset categories under MACRS (Modified Accelerated Cost Recovery System).

PHASE II: In-Depth Analysis and Report Compilation

Our completion of the study is dependent on the availability, accuracy and substantiation of the project records. This phase consists of analyzing the accumulation of cost information and any change orders. It will also include a physical inspection of the property. Our compilation will segregate all of the construction costs of the project according to the appropriate MACRS category and depreciable life. We will also appropriately allocate indirect costs to the direct construction costs as finally segregated among 5-year, 7-year, 15-year, 27.5, 31.5 and/or 39-year depreciation lives. In addition, this report will contain the identification of unit of property defined buildings and building systems within each unit of property as defined by the Tangible Property Regulations. Building systems defined may include but are not limited to the following: HVAC, Plumbing, Electrical, Escalators, Elevators, Fire protection and alarm, Security, Gas distribution, and Other components identified in published guidance. Once the study is completed and classification changes are properly identified we will review the Cost Segregation Report with your CPA for application to your financial records.

Fees

Our fee for PHASE I and PHASE II will be a fixed fee of \$ 7,525 (Seven Thousand Five Hundred Twenty Five Dollars). Our fee includes \$ 3,775 (Three Thousand Seven Hundred Seventy Five Dollars) due and payable at the time this agreement is authorized. The remainder of the fee, \$ 3,750 (Three Thousand Seven Hundred Fifty Dollars), will be due contemporaneous with the delivery to you of the Cost Segregation Study Report.

Please make checks payable to: Cost Segregation Services, Inc.

Client Initials: _____



Our work will not constitute an audit, the objective of which is the expression of a professional opinion regarding the construction costs, nor will it constitute a review, the objective of which is the expression of limited assurance that no material modifications need to be made to the building costs for them to be in conformity with generally accepted accounting principles. Accordingly, we will not express an opinion nor any form of assurance on the building costs referred to above.

Further, said fee includes technical representation by our firm in the unlikely event of an Internal Revenue Service audit specifically relating to the identification of asset categories under MACRS resulting from our analysis. It does not represent involvement by your CPA.

Our work is not designed to disclose errors, irregularities or illegal acts, including fraud or defalcations and therefore should not and shall not be used for those purposes.

We look forward to the opportunity of working with you. We will immediately set forth a project timetable that meets your schedule and convenience.

Client Authorization

Client Signature: _____

Authorized By: _____

Jim Shreve, Managing Member

Printed Name: _____

Project #

0

Title: _____

☐ Please Check Box if Company Address is the same as the Property Address to be studied.

Date of Engagement: _____

Legal Company Name: _____

Property #1: _____

Address: _____

Address: _____

City/State/Zip: _____

Phone: _____

Property # 2: _____

E-mail: _____

Address: _____

Please answer the following:

1. Tax Filing Month & Year of Application: _____

2. CSSI to complete 3115 Form to implement Cost Segregation Study (if needed) ☐ Yes ☐ No ☐ N/A

Client Initials: _____

Greg Perkins



Documents Required List

Confirm Address of Property being Studied

Street

City

State

Zip

Contact Information for Site Survey

Name

Title

Tel.Number

E-mail

Newly Acquired Property

Requested Documents (returned to client upon completion)

Building Cost [excluding land] _____	Initial	Required Document
Blueprints _____	Initial	alternative: provide layout of building
Appraisal _____	Initial	
Cost Documents _____	Initial	AIA, Cost ledger, invoices, etc. (if available)

Owned for more than 1 year

Requested Documents

Depreciation Schedule _____	Initial	Required document
Blueprints _____	Initial	alternative: provide layout of building
Appraisal _____	Initial	
Cost Documents _____	Initial	if available, i.e., AIA, Cost ledger, invoices

Disposition Study Documents List, if applicable

Demolition Plans _____	Initial	Included in new renovation blueprints
Original Building Plans _____	Initial	Blueprints or drawing before renovations
Renovation/Replacement Costs _____	Initial	Cost Documents for new components
Appraisal (Before Renovations) _____	Initial	
Quantity /Measurements of New Components _____	Initial	Only needed if above is not available

Request for Form 3115 Application, if applicable

Complete Form 3115

choose one, only if applicable

Client CPA provides _____	Initial	
CSSI provides _____	Initial	assure client CPA agrees

Please fill out all forms as completely as possible to ensure a timely start to your cost segregation study.