

# Tens or Hundreds of Thousands of Income Tax Dollars!

## 1 Cost Segregation

This method of identifying and classifying building components allows you to accelerate depreciation, take advantage of bonus depreciation, and generate additional cash flow to reduce taxes. An engineering-based cost segregation study is the basis for you to capture the tax savings opportunities below. Additionally, the reduction in income will maximize a loss carryback refund found in the 2020 CARES Act.

## 2 Partial Asset Disposition

A PAD allows an owner to write down the cost of items removed during a renovation as well as the cost of removal and disposal. Taxpayers can receive a tax deduction in the current year as this is a "use it or lose it" opportunity. Fail to capture it in the current tax year and lose the ability to write it down. PADs yield permanent tax savings at the time of sale by reducing building basis and recapture costs.

## 3 Qualified Improvement Property

Qualified Leasehold Improvements, Qualified Retail Improvements, and Qualified Restaurant Property have been placed with Qualified Improvement Property (QIP). QIP has a 15-year recovery period (if placed in service in 2018 or after), is eligible for bonus depreciation, and is eligible for Section 179 Expensing. A QIP is an improvement to the interior (excluding elevators, escalators, and internal structural framework) of any nonresidential real property placed in service after the date the building was first placed in service.

## 4 Capital to Expense Reversal

Building owners must reverse previously capitalized items on an asset schedule and expense them in the current year by applying the repair regulations to prior years. This reversal is achieved through a forensic evaluation of asset schedules, including historical improvements and repairs.

### PERFECT LEGISLATION FOR TAX BENEFIT

1. COST SEGREGATION – 1997
2. TANGIBLE PROPERTY REGULATION – 2014
3. TAX CUTS AND JOBS ACT – 2017 (AFTER 9-27-2017) FOR 2018 FORWARD
4. CARES ACT 2020



(Greg) Perkins Financial, LLC 256-683-3397  
costsegregationconsulting.com  
greg@costsegregationservices.com

## TAX CUTS AND JOBS ACT:

### **Bonus depreciation extended, expanded, and increased to 100%**

- The 50% bonus depreciation rate is increased to 100% for qualified property acquired or built after September 27, 2017.
- Bonus depreciation has been expanded to apply to both newly constructed buildings and used property purchased and acquired after September 27, 2017. Bonus eligible property must have a depreciable life of 20 years or less.

### **Expansion of Section 179 Expensing:**

**Tangible Personal Property (1245 Property) used in an active “trade or business”**

**– Cost Segregation Studies identifies 5-, 7- year assets that qualify. (15- year land improvements are not personal property and thus don’t qualify)**

- Section 179 expensing should be used for commercial property only after RABl criteria under the 2014 Tangible Property Regulations have been evaluated and found non-applicable.
- Section 179 expense limitations for 2018 will double from \$500,000 to \$1 million while the phase-out limitation will be increased from \$2 million to \$2.5 million. Qualifying property eligible for Section 179 will include roofs, HVAC, fire protection & alarm systems, and security systems if these improvements are made to non-residential real property and begun after the building was placed in service for its intended use. Section 179 still includes tangible personal property such as furniture and appliances (FF&E). Section 179 assets will recapture at personal tax rates when the building is sold.

### **Qualified Improvement Property (QIP):**

Interior improvements to a non-residential building

- Any interior improvement made to the building after its purchase excluding enlargement, structural items like interior supporting framing, escalators, and elevators. The improvements must have begun at least one day after the building was placed in service for its intended use. QIP qualifies for bonus depreciation (**Per the CARES Act**) and Section 179.

If you own or made improvements with the past 15 years or less; plan to buy or improve/renovate soon - Don't miss valuable benefits! Ask for your free quantitative analysis - Greg has conducted over 800 studies in 35 states.