


# Cost Segregation Overview

Introducing your Clients  
to Significant Tax Savings



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## Cares Act for Businesses

### Carryback of NOLs

- Allows for a five year carryback of net operating losses arising in 2018, 2019, & 2020.
- The 5 year carryback rules require you to go back 5 years and roll forward from there if the loss is in excess of the carryback years income.
- Example – John Smith has income for the past 5 years, and a loss in 2019 generated from a cost segregation study as follows:

	Income	Taxed Paid	Loss Carryback	Refund Due
2014	\$ 75,000.00	\$ 14,606.25	\$ (75,000.00)	\$ 14,606.25
2015	\$ 150,000.00	\$ 35,071.25	\$ (150,000.00)	\$ 35,071.25
2016	\$ 400,000.00	\$ 115,529.25	\$ (200,000.00)	\$ 66,000.00
2017	\$ 350,000.00	\$ 95,906.75		
2018	\$ 195,000.00	\$ 44,089.50		
2019	\$ (425,000.00)			
			<b>Total Refund</b>	<b>\$ 115,677.50</b>

**Potential Result: \$115,677.50 refund for 2019 tax year**



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## What is Cost Segregation?

- A U.S. Tax Code approved process of analyzing and identifying commercial building components that are eligible for accelerated depreciation
- Result: lower income taxes
- An input calculation to the U.S. Tax Code – Building Systems Valuation
- Allows building owners to use cash today instead of leaving it with the government for 39 years
- Engineering-based is defined as “The Certain Method”
- Personal Property is segregated from Real Property



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## What is Cost Segregation?

### Straight-Line Method

- Hamburger \$3.99



### Cost Segregation Method

- 2 All Beef Patties \$1.75
- Special Sauce \$0.15
- Lettuce \$0.26
- Cheese \$0.89
- Pickles \$0.10
- Onions on a \$0.09
- Sesame Seed Bun \$0.75

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## How does this Affect You and Your Business?

Businesses are Looking for Cash Flow to Address this Critical Time

- Generally
  - Decrease federal taxes and increase cash flow
- Already filed your taxes for 2019?
  - Possibly receive a refund
- Extended?
  - Reduce your tax burden and free up additional cash flow
- Paying quarterly estimates for 2020?
  - Reduce the estimates with the cost segregation / Cares Act results

Affects every commercial property owner in the US

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## COST SEGREGATION

▪ Examples

DENTAL OFFICE	OFFICE CONDO	OFFICE WAREHOUSE
<ul style="list-style-type: none"> <li>▪ Building Cost: \$ 250,176 (without land)</li> <li>▪ Tax Savings Benefit: \$32,845</li> <li>▪ Study Fee Before Tax: \$2,420</li> <li>▪ Study Fee After Tax: \$1,549</li> <li>▪ ROI: 21:1</li> </ul>	<ul style="list-style-type: none"> <li>▪ Building Cost: \$324,000 (without land)</li> <li>▪ Tax Savings Benefit: \$52,856</li> <li>▪ Study Fee Before Tax: \$3,400</li> <li>▪ Study Fee After Tax: \$2,176</li> <li>▪ ROI: 24:1</li> </ul>	<ul style="list-style-type: none"> <li>▪ Building Cost: \$5,246,908 (w/o land)</li> <li>▪ Tax Savings Benefit: \$312,687</li> <li>▪ Study Fee Before Tax: \$14,900</li> <li>▪ Study Fee After Tax: \$9,536</li> <li>▪ ROI: 33:1</li> </ul>

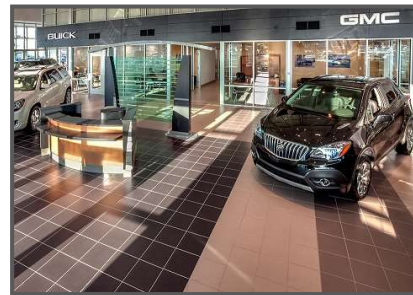
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## The 2014 Repair Regulations

Partial Asset Disposition Example



Auto Dealership Renovation Tax Savings			
	Original Building	Demolition	Renovation
Cash Flow	\$134,718	\$53,297	\$126,243
<b>Total Tax Savings</b>	<b>\$314,240</b>		

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## Who is CSSI?

And how did we become the Tangible Property Regulations company?

- We are the nation's premier engineering-based cost segregation firm.
- We have been performing engineering-based studies for over 16 years
- We have completed 20,000+ studies performed in all 50 states
- Our CEO had been involved in Cost segregation since the original court case in 1997
- Studies are completed in 6-8 weeks
  - Disposition and Cost Segregation
  - Capital to Expense Reversals
  - TCJA opportunities
  - LED Lighting Retrofits and Tax Benefits Analysis
  - R&D Tax Credit Analysis
  - We defend our study in the event of an audit at no cost to our clients
- We are the calculation resource to help your clients become compliant

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## Cost Segregation – What's my benefit?

- Why should I talk to my clients and associates about Cost Segregation?
  - If they own property and haven't done a study, they are missing out on significant cash
  - It's great news, and a great conversation starter
  - If they spent a lot of money on improving their space, they are eligible
  - You provide a valuable service by letting them know about it
  - Referral commission or charitable contribution in your name

Affects Every Commercial Property Owner in the US

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## How to Get Started

I will provide you or your client with a no cost, predictive analysis

- Type of Building
- Price
- When they bought it
- Improvements (year, month and cost)
- CSSI will generate an analysis at no cost that will be within 10% of an actual cost segregation result.
- If they order the study, Great!
- If they don't – no problem – we just fade away. Either way,
- Result – Happy Client!

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