Cost Segregation Tax-Saving Study

If your company has purchased, constructed, or renovated a building (or plans to in the future), KraftCPAs can help you get the maximum return on your investment. Our comprehensive cost segregation service can help maximize your tax savings and increase the cash flow on your current or future real estate investments.

Lower your taxes. Increase your cash flow.

How does it work?

A cost segregation study can reclassify real estate assets to:

- accelerate your depreciation deductions
- reduce your tax liabilities
- maximize cash flow

Building construction and renovation costs are generally depreciated over 27.5 or 39 years. But with an engineering-based cost segregation study, we can identify shorter-lived assets that are buried there – assets that can qualify for 5-, 7- or 15-year write-off periods.

By reclassifying these assets and accelerating their depreciation, we can accelerate expenses, thereby decreasing your taxable income. As a taxpayer, you pay less tax during the early stages of a property's life, and the present value of the tax savings can be tremendous. Under certain circumstances, these shorter-lived assets may also qualify for bonus depreciation of 50 or 100 percent (phasing down in 2023).

When does it work?

Although the best time for a cost segregation study is the year in which the building is constructed, remodeled, or purchased, you can still reap the tax benefits on older projects. In fact, the IRS allows taxpayers to claim missed depreciation on older assets so long as they were placed in service after 1986 – without having to file amended returns.

How much could I save?

For every million dollars of property you reclassify for faster depreciation, the present value of your increased cash flow from income tax savings approximates $175,000. To help you determine if cost segregation could be beneficial for your business, **we'll provide a no-cost, no-obligation consultation, including an estimate of tax savings and fees.**

It's our experience that the present value of the tax savings is generally six or more times the cost of the cost segregation study itself.

KraftCPAs PLLC

Cost Segregation FAQs

CONTACT
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Could my building be a candidate?

The following can qualify for cost segregation:

- new buildings currently under construction
- existing building that you are renovating, remodeling, or restoring
- expansion of existing buildings
- purchases of existing buildings
- office or facility leasehold improvements and "fit-outs"

The best candidates for a cost segregation study are profitable (tax-paying) companies that expect to be long-term holders of their commercial real estate property.

Is cost segregation limited to certain industries?

No. While some industries' shorter-lived assets are more readily apparent, most companies that own facilities (whether they be offices, warehouses, apartment buildings, manufacturing plants, etc.) can benefit from cost segregation — no matter their industry. We have performed cost segregation studies for clients in various industries and professions with highly favorable results.

Does cost or value of the building matter?

You might imagine that the bigger the building, the greater the potential for reclassifying assets; however, we have conducted studies on various types of buildings and real estate ranging from less than $1 million to more than $30 million. Even small facilities have realized tens of thousands of dollars in current-value tax savings. Depending on its use, a small property can be loaded with shorter-lived assets.

Are there other tax benefits?

In addition to reducing income tax liability by accelerating depreciation, you may be able to lower other tax costs, such as real estates taxes and sales taxes.

Reduce real estate taxes

By separating tangible personal property from the non-residential real property, you may be able to reduce real estate taxes. Even if a jurisdiction imposes a personal property tax on business property, you may reduce taxes due to substantially shorter personal property lives and faster devaluation of assets.

Benefit from sales tax exemptions

Many states provide a sales tax exemption to companies purchasing qualifying industrial machinery, equipment, and supporting systems. As a result of a cost segregation study, you may find that you can classify certain assets (generally considered personal property) as industrial machinery or equipment, where you'll get an immediate cash savings.

Why KraftCPAs?

Valuable tax savings that are embedded in your buildings are often overlooked by accountants not experienced in cost segregation. Our specialists are trained to identify and segregate shorter-lived assets using a comprehensive approach that is engineering-based, fully documented, and in compliance with IRS rulings.

With a KraftCPAs study, you'll have the evidence you need to withstand IRS scrutiny because our procedures are based on IRS and judicial rulings. In addition, we create an "audit trail," which ties the cost and classification of asset to contract documents and other source data.

You have nothing to lose by exploring cost segregation as a tax-reduction strategy.

Client Review

"My Kraft tax advisors explained that the benefits of a cost segregation service would outweigh the costs. In fact, the cost segregation study KraftCPAs did for us resulted in $700,000 of present value tax savings — a huge return on my investment! I've been a client of KraftCPAs for decades. I highly recommend the firm and the cost segregation service. It's a service that pays for itself."

Larry Schmittou L & S Family Entertainment, LLC

KraftCPAs PLLC