

Improve Your Commercial Property Cash Flow

The Value of Cost Segregation and Reducing Your Taxes

The Situation

In any economic time, it is important to manage your cash flow wisely. For property owners, it can mean the difference between protecting your investment and foreclosure. One way to improve cash flow and reduce taxes on commercial property is through Cost Segregation. Cost Segregation allows the owner to accelerate depreciation of certain components of the building from the standard thirty-nine or twenty-seven and a half year schedule to fifteen, seven or five years. Increasing the rate of depreciation will offset earnings, which in turn reduces federal taxes and provides improved cash flow.

Who Should Consider Cost Segregation?

Cost Segregation can be beneficial in a number of commercial property scenarios including new construction, the purchase of an existing building, with renovation or tenant improvements, or on a property where a Cost Segregation Study has not previously been conducted. The best candidate for the process is a building or improvements of a value greater than \$500,000, and in some cases, lesser expenditures for build-outs can be beneficial. In addition to the financial opportunity, one real advantage of a Cost Segregation Study is that it can be done on real estate put into service in prior years without needing to amend prior tax returns. With the new investment income tax, Cost Segregation has become an even more valuable tax savings tool.

How Can We Help?

Kerkering, Barberio & Co.'s Construction Services Team can take you through the Cost Segregation process. Our staff works directly with a qualified construction cost expert to conduct an analysis of your building, determine allowable depreciation benefits and ensure that all deductions are fully documented and verifiable. The time needed to conduct a Cost Segregation study varies based on the specific attributes of the property and the owner's tax situation.

To learn more about Cost Segregation and how it may benefit you, please contact Shirley Fieber, CPA, at sfieber@kbgrp.com or call 941-365-4617.

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