

SCHNEIDER DOWNS

# COST SEGREGATION SERVICES



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# SCHNEIDER DOWNS – COST SEGREGATION SERVICES

Schneider Downs' cost segregation studies accelerate depreciation deductions, lowering your tax liability and maximizing your cash flow.

## **A Solid Case for Cost Segregation - Schneider Downs' Engineering-Based Approach**

Your company's real estate holdings constitute a significant capital investment. With Schneider Downs' engineering-based cost segregation studies, we will perform an analysis of major building components to maximize your real property's financial return by generating significant cash flow savings. Our cost segregation analysis generates tax savings by identifying building costs that can be reclassified from over 39 years or 27.5 years to 5-, 7- or 15-year lives.

Schneider Downs' cost segregation team has the tax and engineering skills to carve out the overlooked shorter-life assets and file the necessary IRS paperwork to recover your tax deductions. To determine if you will benefit from a cost segregation study, we will provide you with a savings estimate based on a preliminary analysis of your project costs, as well as historical engagement results for similar properties and industries. A savings estimate will reveal any tax savings that may be gained from a cost segregation study.

Our engineering and tax specialists will identify tax savings from:

- New buildings presently under construction.
- Existing buildings undergoing renovation, remodeling, restoration or expansion.

- Purchases of existing properties.
- Office/facility leasehold improvements and "fit outs."
- Post-1986 real estate construction, building acquisition or improvements where no cost segregation study was performed (even though the statute of limitations previously closed on the property construction/acquisition year).



## **Valuable Tax Savings Embedded in Buildings**

With our cost segregation study, you will realize substantial tax savings based on indisputable evidence developed to withstand IRS scrutiny.

Your property is categorized into shorter-life classes based on applicable tax authorities. We provide full documentation of the cost segregation study, employing engineering and cost estimating procedures recognized in IRS rulings and judicial decisions. A complete audit trail traces unit costs from contract documents and other source data.

## You Can Save Up to \$10 in Benefits for Each Dollar Invested in Your Schneider Downs Cost Segregation Study

You get a tremendous payback for your investment in professional fees. Clients routinely receive present value cash flow savings of at least eight to ten times their investment for the study. Our cost segregation study truly maximizes the value of your real estate assets.



## Enjoy the Windfall for Real Property Built or Previously Acquired

A cost segregation study represents a valuable opportunity. You may deduct depreciation amounts that you were legally entitled to but did not claim entirely in the tax year in which you complete the study. This cash flow windfall is available to you even though the statute of limitations previously closed on the property construction or acquisition year. Our team of professionals will identify the overlooked shorter-life assets and file the necessary IRS documents to recover your tax deductions.

### Our Cost Segregation Process

Our process will not intrude on your day-to-day operations. Our step-by-step process is as follows:

1. Physically inspect the property.
2. Examine architectural/engineering drawings and specifications for potential asset reclassification.
3. Analyze cost data, including the contractor's application of payments, change orders, owner-incurred costs and indirect disbursements.
4. Prepare an itemized list of property units qualifying for shorter-life classification based on relevant income tax authorities.
5. Apportion direct labor, material components and indirect costs based on engineering drawings and specifications.
6. Reconcile total costs per the engineering analysis to capitalized project costs.
7. Deliver report with findings and analysis that will support your company's tax position.



## Reduced Depreciable Lives for Leasehold and Restaurant Improvements

The American Jobs Creation Act of 2004 reduced the recovery period of qualifying leasehold improvements to nonresidential real estate and qualifying restaurant property to 15 years (formerly 39 years) for property placed in service after October 22, 2004, and before January 1, 2006. Legislation passed in 2006 and 2008 extended the qualified leasehold improvement property to property placed in service through 2009. These new and revised provisions will enhance your depreciation deductions from such improvements.

“Qualifying leasehold improvement property” is any improvement to an interior portion of a nonresidential building made by a lessor, lessee or a sublessee under or pursuant to a lease. The improved portion of the property must be occupied by the lessee or sublessee, and must be placed in service more than three years after the date the building was first placed in service. “Qualifying restaurant property” is an improvement to a building where such improvement is placed in service, and more than 50% of the building's square footage is devoted to preparation of and seating for on-premises consumption of prepared meals.

The Economic Stimulus Act of 2008 reinstated the 50% bonus depreciation for qualifying Modified Accelerated Cost Recovery System (MACRS) property acquired after December 31, 2007 and placed in service before January 1, 2009. Other legislation also extended bonus depreciation through December 31, 2009. Bonus depreciation allows a taxpayer to expense 50% of the cost of the assets in the first year for qualifying MACRS property. “Qualified property” is tangible property with a recovery period of 20 years or less, water utility property, computer software that has not been substantially modified and qualified leasehold improvements.

## We Save Businesses Money

### Distribution Center in Pennsylvania



The facility had a cost basis of \$34.4 million. Our cost segregation study accelerated depreciation of \$7.6 million, with a corresponding tax deferral of \$2.9 million.

### Automobile Dealership in Pennsylvania



We completed a study on an automobile dealership with a cost of \$1.95 million. The study will accelerate over \$210,000 in additional tax depreciation, resulting in tax deferral from this accelerated depreciation of \$80,000.

### Gas Station/Convenience Store in West Virginia



We conducted a cost segregation study on a recently constructed \$2.5 million gas station/convenience store. Our study reclassified all of the costs out of 39-year property, resulting in a tax deferral of \$392,000 for the life of the property.

### Retail Strip Plaza in Maryland



We performed a study for a \$6.3 million retail strip plaza, resulting in the ability to shift 71% of the costs to non-39-year property. The study will produce a tax deferral of \$510,000.

### We have helped companies in these industries generate cash flow and tax savings:

- Automobile Dealerships
- Bank Branches
- Commercial Rental Property
- Corporate Office Buildings
- Distribution Centers
- Food Processing Plants
- Gas Stations/Convenience Stores
- Hotels and Motels
- Hospitals
- Manufacturing Facilities
- Medical Centers
- Multi-Family Residential Property
- Restaurant Facilities
- Sale-Leaseback Transactions
- Shopping Malls
- Strip Center Shops
- Student Housing

## THE SCHNEIDER DOWNS DIFFERENCE

*Big-Firm Capabilities with a Regional-Firm Approach*

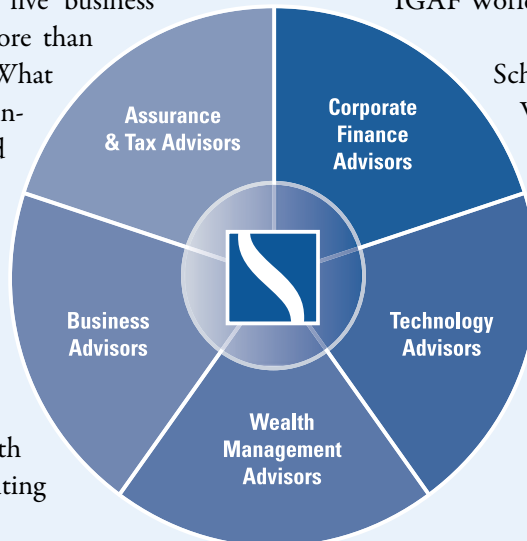
### Service Approach

Schneider Downs is among the top 50 largest accounting firms in the United States. Our breadth and depth of integrated services provide us with the ability to offer our clients a viable alternative to the Big Four firms. Despite our growth, we have retained our regional-firm ethic of responsive, personalized service – our senior executives are in the field alongside our clients. You will always have their ear, and their advice, when a situation arises.

### Schneider Downs' Five Business Divisions

Our 50+ years of practice and five business divisions give clients access to more than 75 different service offerings. What makes us unique is our local, in-house capabilities, complemented by the extensive global reach of IGAF Worldwide, and our firm's continuous investment in subject-matter expertise to serve our growing domestic and international clients.

Schneider Downs is registered with the Public Company Accounting Oversight Board (PCAOB).



## FOR MORE INFORMATION

Please contact Gennaro J. DiBello at 412-697-5306 or [gdibello@schneiderdowns.com](mailto:gdibello@schneiderdowns.com) or Mark E. Cobetto at 614-586-7136 or [mcobetto@schneiderdowns.com](mailto:mcobetto@schneiderdowns.com) to learn more about the benefits of a cost segregation study.

## IGAF WORLDWIDE

*Schneider Downs' Global Reach*

Schneider Downs' global delivery service model incorporates the IGAF Worldwide association of 150 independent public accounting firms selected as best in class for quality of practice, professional standing, size, local reputation, diverse technical capabilities and geographic location. Schneider Downs' position within IGAF Worldwide is strengthened by our CEO's senior position as a member of both the North American and World Boards of IGAF Worldwide.



Schneider Downs works with IGAF Worldwide member firms throughout the world to coordinate our clients' business needs.

1133 Penn Avenue  
Pittsburgh, PA 15222  
(412) 261-3644

41 S. High Street, Suite 2100  
Columbus, OH 43215  
(614) 621-4060

[www.schneiderdowns.com](http://www.schneiderdowns.com)



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