

SafeBridge®

Cost Savings Solutions™

CSSI®
Cost Segregation Services Incorporated

ENGINEERING-BASED COST SEGREGATION

FOR COMMERCIAL PROPERTY OWNERS & TAX PROFESSIONALS

Realize cash flow from tax savings which average 5% to 11% of a building's cost.



What does the **IRS** have to say about *this type of approach?*



The U.S. Treasury Department says, **"Cost Segregation studies are a lucrative tax strategy that should be used in almost every major purchase of commercial property."** The guidance from the IRS in the area of cost segregation is very clear. The following is taken directly from the IRS *Cost Segregation Audit Technique Guide*:

“The preparation of cost segregation studies requires knowledge of both the construction process and the tax law involving property classifications for depreciation purposes. Unfortunately, there are no prescribed qualifications for cost segregation preparers. However, **a preparer’s credentials and level of expertise may have a bearing on the overall accuracy and quality of a study.** In general, **a study by a construction Engineer is more reliable than one conducted by someone with no engineering or construction background.** However, the possession of specific construction knowledge is not the only criterion. Experience in cost estimating and allocation, as well as knowledge of the applicable tax law are also important criteria.”

By offering engineering-based recommendations from our team of experts, SafeBridge and CSSI meets those expectations in a manner that few, if any, can match. Our team’s clients have seen zero increase in the number of audits to which they have been subjected, and 100% of all CSSI studies (going on 2 decades) have never had a single unfavorable ruling as a result of an audit. Utilizing the engineering-based method reduces your likelihood of an IRS audit with regards to cost segregation.



What happens in the event of an **IRS Audit?**



If your client is under audit for any reason and the CSSI Study comes into question, an engineering-based cost segregation study professional from CSSI will attend the audit without any charge.

An audit triggered by a CSSI Engineering-Based Cost Segregation study is highly unlikely, but **in their almost 20 years of conducting tens of thousands of studies, not even one CSSI study has been overturned.**

Cost Segregation studies performed by unqualified individuals and those using an abbreviated methodology will receive higher scrutiny than the ones performed by qualified professional who utilized the detailed engineering-based approach.

CSSI's engineering-based cost segregation study professional personnel have the expertise in tax laws, cases, and ruling on cost segregation, along with real estate development and construction experience to minimize your chances of ever being audited based on one of their Engineering-Based Cost Segregation studies.

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IRS Guidelines: “For A Quality Study”

1. **Preparation By an Individual with Expertise and Experience**
2. **Detailed Description of the Methodology**
3. Use of Appropriate Documentation
4. Interviews Conducted with Appropriate Parties
5. Use of Appropriate Nomenclature
6. Use of a Standard Numbering System
7. Explanation of Legal Analysis
8. **Determination of Unit Costs And Engineering “Take-Offs”**
9. Organization of Assets Into Lists or Groups
10. Reconciliation of Total Allocated Costs to Total Actual Costs
11. Explanation of the Treatment of Indirect Costs
12. Identification And Listing of Section 1245 Property
13. Consideration Of Related Aspects (e.g. IRC §263A. Change in Accounting Method And Sampling of Techniques)



Let's Cover Tangible Property Regulations



APPLIED CORRECTLY = "BULLET PROOF" STUDY



APPLIED INCORRECTLY = LEGAL EXPOSURE + IRS LIABILITY

Can *Engineering-Based* Cost Segregation Help Your Company?

Have You?

- Owned your commercial property from 1 to 20 years?
- Invested in a commercial property with a cost of over \$250,000?
- And / or made improvement or repairs over \$50,000?
- Are planning on keeping your building for at least a few more years?

- **Auto Service Center** - Received \$318,024 in reclassified assets and \$127,846 in tax savings.
- **Green Energy Project** - Generated \$582,000, funded their project, reduced the payback period to two years and gave the owners \$222,000 in cash.
- **Office Warehouse** - Received additional 15-year asset classifications for a total of \$216,557 in reclassified assets resulting in a tax savings of over \$87,000.
- **Restaurant Owner** - Received an extra \$119,351 deduction for the assets he tore out and threw away.
- **Wine Storage Facility** - Detail oriented engineering-based cost segregation study was able to identify \$248,801 in 5, 7 or 15-year assets that otherwise would have been depreciated over 39 years. Dedication to detail led to \$100,018 in tax savings for the client.

Cost Segregation Case Studies

Corporate Headquarters Property

\$1,000,000 - Building (not including land)

\$25,641 - 39-year straight line depreciation annual deduction ($\$1,000,000 \div 39$)

\$1,000,000 - Building

\$15,385 - 60% real property 39-year straight line depreciation ($\$600,000 \div 39$)

\$21,429 - 15% real property 7-year accelerated depreciation ($\$150,000 \div 7$)

\$50,000 - 25% real property 5-year accelerated depreciation ($\$250,000 \div 5$)

Depreciation Year:	Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Year 7	
39 Year Depreciation (60%)	\$15,385	\$15,385	\$15,385	\$15,385	\$15,385	\$15,385	\$15,385	\$15,385
7 Year Depreciation (15%)	\$21,429	\$21,429	\$21,429	\$21,429	\$21,429	\$21,429	\$21,429	\$21,429
5 Year Depreciation (25%)	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000			
Combined Deductions with Cost Segregation	\$86,813	\$86,814	\$86,814	\$86,814	\$86,814	\$36,814	\$36,814	\$507,697
39 Year Straight-Line Depreciation (100%)	\$25,641	\$25,641	\$25,641	\$25,641	\$25,641	\$25,641	\$25,641	\$179,487
Annual Increase of Deduction	\$61,172	\$61,173	\$61,173	\$61,173	\$61,173	\$11,173	\$11,173	\$328,210

**Example of Commercial Property
Cost Segregation Savings**

Initial Estimated Savings versus Actual Study Results

Bank Branch	Purchase Date	Cost Basis	Estimated Cost Savings Benefit			Cumulative Benefit at End of Ownership		Fees
			2012	2013	2015	NPV	FV	Fees
Branch 1	7/1/2005	\$814,275	\$41,150	\$40,241	\$38,424	\$24,193	\$283,957	\$5,510
Branch 2	5/1/2008	\$853,929	\$43,693	\$45,716	\$44,015	\$29,402	\$434,718	\$5,740
Branch 3	4/1/2001	\$839,437	\$39,171	\$38,514	\$37,199	\$21,187	\$182,783	\$5,645
Branch 4	2/1/1996	\$644,043	\$26,306	\$25,117	\$22,739	\$11,234	\$65,959	\$4,560
Branch 5	8/1/1998	\$548,067	\$22,250	\$21,514	\$19,693	\$10,171	\$69,657	\$4,015
Branch 6	9/1/2002	\$789,684	\$37,494	\$36,613	\$34,850	\$20,627	\$192,190	\$5,150
Totals:		\$4,489,435	\$210,064	\$207,715	\$196,920	\$116,814	\$1,229,264	\$30,620

Conservative Initial Estimate

Bank Branch	Purchase Date	Cost Basis	Actual Cost Savings Benefit			NPV	FV	Fees
			2012	2013	2015			
Branch 1	7/1/2005	\$814,275	\$110,784	\$109,963	\$108,322	\$77,002	\$903,783	\$5,510
Branch 2	5/1/2008	\$865,833	\$102,853	\$109,653	\$111,982	\$88,641	\$1,310,581	\$5,740
Branch 3	4/1/2001	\$1,045,244	\$53,946	\$53,093	\$51,386	\$30,633	\$264,277	\$5,645
Branch 4	2/1/1996	\$644,744	\$77,687	\$74,176	\$67,153	\$38,876	\$228,261	\$4,560
Branch 5	8/1/1998	\$583,669	\$75,188	\$73,443	\$67,226	\$40,868	\$279,881	\$4,015
Branch 6	9/1/2002	\$807,326	\$95,631	\$94,746	\$92,975	\$60,805	\$566,536	\$5,150
Totals:		\$4,761,091	\$516,089	\$515,074	\$499,044	\$336,825	\$3,553,319	\$30,620

Same Fee

Actual Study Results

ACTUAL Small Regional Bank Cost Segregation Results

What Tax Professionals are Saying about Cost Segregation:

“Selecting a firm that uses qualified professionals with years of significant, relevant experience can be an important differentiator in the quality of a cost segregation study.”

AICPA, The Best of Both Worlds

– By William Edward Allen III, CPA and Mary

B. Foster, Esq.

“A taxpayer can substantially increase cash flow by segregating property costs.”

“Cost segregation can provide real estate purchasers with tremendous tax benefits from accelerated depreciation deductions and easier write-offs when an asset becomes obsolete, broken or destroyed.”

– Jay A. Soled, JD, LLM

and Charles E. Falk, CPA, JD

“A good relationship with an established, experienced cost segregation provider is important so that, if an inquiry is made about a cost segregation study three or more years down the line, the provider is willing and able to stand behind the work.”

– A Practicing CPA



Cost Segregation Services Incorporated

How to Get Your FREE Estimated Savings Analysis Started?

What information will be needed to complete a Cost Segregation Study?

While each study differs, we generally request the following information, if available:

- 1.) A current tax depreciation schedule
- 2.) Building cost information
- 3.) Change orders

We can assist you in gathering the necessary data.



Does your property qualify?

Yes, if it was:

1.) Purchased, constructed, or remodeled your property after December 31, 1987.

and

2.) The property is anticipated to be held for at least a few years.

CSSI has successfully handled over 20,000 cases in all 50 states.

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205-980-8408 or info@safebridgegroup.com

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