

## ANDERS REAL ESTATE & CONSTRUCTION GROUP

# COST SEGREGATION STUDY FACT SHEET

### WHAT IS A COST SEGREGATION STUDY?

A cost segregation study is an IRS approved approach that allows a taxpayer to identify, segregate, and reclassify assets that are currently classified as real property to shorter depreciable lives for federal and state income tax purposes.

### WHY HAVE A STUDY PERFORMED?

The primary benefit of performing a cost segregation study is an immediate increase in cash flow due to reductions in federal and state tax liabilities achieved from the timing of the accelerated depreciation deductions. This means property that would normally be depreciated over 27.5 or 39 years would be depreciated over 5, 7, or 15 years, greatly increasing the net present value of your investment.

### WHO PERFORMS THE STUDY?

Due to the complexities of cost segregation studies, the IRS mandates that the study be performed by professionals from both the engineering and accounting disciplines.

### WHEN SHOULD A STUDY BE PERFORMED?

Cost segregation studies are most commonly utilized during new construction, major renovations, or acquisitions. In most situations, buildings constructed or purchased since 1994 have the best potential for tax savings. Even if the purchase or construction occurred several years ago, you still have the ability to catch up your accelerated depreciation deductions in the current year.

### WHAT IS NEEDED TO PROJECT THE BENEFIT OF A STUDY?

- Current set of complete architectural plans if available
- Cost of Building (project budget and the latest pay application if the project is new construction)
- Square feet of the building
- Number of floors
- Site size in acres
- Prior depreciation records if applicable

**TALK WITH AN ADVISOR TODAY.**

Robert L. Berger, CPA/CGMA  
314-655-5570 | [rberger@anderscpa.com](mailto:rberger@anderscpa.com)