

# Real Estate Solutions

## Cost Segregation

Maximizing tax deductions, depreciation, and increased cash flow can be realized by simply reclassifying and accelerating the tax depreciation of real estate assets through a cost segregation analysis. With over 20 years of experience, our engineering-based services are appropriately detailed to meet the strict guidelines of the IRS and requirements for audit defense.

### BENEFITS REALIZED FROM A COST SEGREGATION STUDY

Immediate Tax Savings – Accelerated Depreciation

Reduced Taxable Income and Increased Cash Flow

Present Value of Tax Savings Pays for the Study

Comprehensive and Detailed Report that is IRS audit worthy

### CLIENT HAVE BENEFITED FROM COST SEGREGATIONS STUDIES ANALYSES ON

-  New construction
-  Asset acquisition
-  Renovations/expansions
-  Leasehold improvements
-  Retroactive depreciation/look-back studies
-  Insurance replacement cost studies
-  Replacement Cost Valuation

### What is cost segregation?

Cost Segregation is the systematic and comprehensive analysis of all costs associated with real estate assets, whether they are purchased, newly constructed, renovated, or qualified improvements. A Cost Segregation study enables clients to maximize federal tax depreciation benefits under the Modified Accelerated Cost Recovery System (MACRS). Any business that is required to capitalize and/or depreciate real estate project costs for United States federal income tax purposes will benefit from a Cost Segregation analysis. Cost segregation studies have now become crucial as one can now take advantage of additional bonus depreciation benefits that are part of the Cares Act enacted in 2020.

Through a Cost Segregation analysis, qualifying assets are identified, and their cost basis segregated from the total capitalized cost of the project. To achieve this, a comprehensive and detailed analysis of construction drawings, on-site inspections, and/or conversations with the client or its representatives is completed. Once the assets are identified and their cost basis determined, they are assigned an appropriate MACRS asset class, which bears a specific depreciable class life.

A Cost Segregation can also be combined with the application of the tangible property regulations (TPR) to super-charge the allowable tax deductions. For example, TPR can allow for additional deductions for partial asset dispositions (PADs) on building renovations while a cost segregation can provide for accelerated depreciation deductions on the new replacement property.

### QUALIFYING PROPERTY MORE THAN JUST WALL COVERINGS



Computer, telephone and cable outlets and their associated wire



Built-in cabinetry counters and millwork



Removable floor coverings such as carpet and vinyl composition tile



Supplemental air conditioning systems such as those who serve computer and data server rooms

**QUALIFYING PROPERTY MORE THAN JUST WALL COVERINGS**



Back-up power generators



Kitchen sinks and plumbing systems



Decorative lighting



Site improvements-paving, sidewalk, curbs, signage, lighting, and underground utilities such as stormwater drainage systems

**REPRESENTATIVE ENGAGEMENTS**

- Apartment complexes
- Assisted living facilities
- Automobile dealerships
- Banks and bank branches
- Fitness and athletic centers
- Hotels and motels
- Industrial facilities
- Manufacturing plants
- Office buildings
- Restaurants
- Retail centers
- Shopping malls
- Data centers
- Hospitals and medical centers
- Laboratories
- Distribution centers
- Storage Facilities

**NOTABLE PROJECTS**

Portfolio of more than 500 chain restaurants located across the United States and Canada, totaling more than 4 million square feet of space

Multiple high profile, high-rise office towers comprising more than 1 million square feet, including lower level retail space

International school campus, including facility and administrative buildings, such as a theater, gymnasium, fine arts center, underground parking facilities, classrooms, science labs, an outdoor amphitheater and various site improvements

Portfolio of 50+ economy extended-stay hotels located throughout the United States

Silicon Valley data center

Newly constructed, five-star luxury hotel located in Manhattan

Portfolio of existing and newly constructed apartment complexes located throughout the United States

Portfolio of 500+ bank branches and 20+ operations centers located throughout the United States

Portfolio of 100+ self-storage facilities

Regional mall comprising over 1 million square feet with 80+ tenants including Target, Nordstrom Rack and Whole Foods

Luxury five-star hotel located in the Grand Cayman Island

**FTI CONSULTING AT A GLANCE**

**\$4.9B**

Market Cap (NYSE:FCN)

**6,400+**

Employees

**8/10**

Advisor to 8 of the world's Top 10 bank holding companies

**55**

55 of Fortune Global 100 corporations are clients

**86/29**

86 cities in 29 countries