

Cost Segregation Services



“I have used WhippleWood CPAs since 1991. The main reason is not just about the accounting work, but more importantly the relationship with the partners and all of the staff, the high quality of work for the price, the availability for any questions anytime, getting up-to-date information and education on a regular basis.”

– McDonald’s Franchise Owner

Accelerate Depreciation Expense Increase Cash Flow

What is Cost Segregation?

A Cost Segregation Study classifies business property, like buildings, land improvements, etc., as either structural or nonstructural components for federal tax purposes. Building costs are typically depreciated over a 39-year period. Cost Segregation identifies building costs that would typically be depreciated over this period, then reclassifies those that should have shorter recovery periods, ordinarily 5, 7, or 15 years. A Cost Segregation Study appropriately classifies or reclassifies nonstructural components into shorter recovery periods and properly computes depreciation based on the results.

Benefits of Cost Segregation

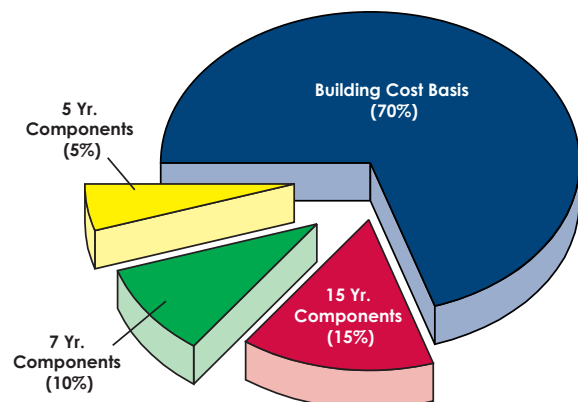
A Cost Segregation Study can provide numerous benefits, the most significant being considerable income tax liability reductions and increased cash flow. Not only can this service be advantageous upon purchasing or renovating a building, it also allows for the capture of catch-up depreciation from current assets that may not have been appropriately categorized at inception.

How Cost Segregation Works

A Cost Segregation Study identifies components of a property that can be categorized as nonstructural. The classification allocates a greater amount of the total project cost to shorter recovery periods, creating greater initial expenses through accelerated depreciation computations.

Our Process

The steps taken by WhippleWood CPAs to develop and complete a Cost Segregation Study adhere to the procedures of a Detailed Engineering Approach, currently the most acceptable approach recognized by the IRS. These procedures represent the most thorough and accurate process available. Our approach for initiating and completing a comprehensive Cost Segregation Study is summarized on the next page.



Free Analysis

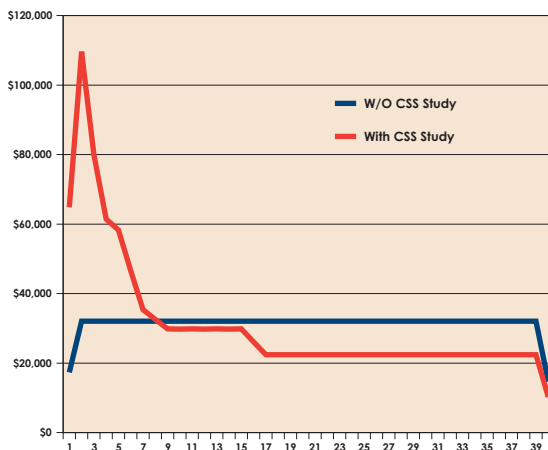
Our process begins with a free analysis to determine the potential benefits of a well-prepared Cost Segregation Study. If a determination is made that the cost outweighs the benefits of a study, we will not pursue the engagement. But we will communicate any beneficial simplified tax planning positions derived from our analysis.

Site Inspection

A quality study includes a site visit to gain perspective and understanding of the design and purpose of the project, along with the use of specific assets. In-depth knowledge of the physical structure facilitates identification of those building components eligible to be classified as nonstructural. This identification process can be quite complex and, in most instances, requires an investigation based on the particular facts and circumstances surrounding the property. Items that may be requested include: site, architectural, and engineering plans, as well as "as-built" drawings, blueprints and bid documents. Photographs will also be taken at this time for documentation purposes.

Assign Cost Recovery Periods

The study identifies and assigns specific project items to appropriate property classes (i.e., land, land improvements, building, equipment, furniture and fixtures, and other items of tangible personal property). Nonstructural components will be assigned class lives of 5, 7, or 15 years. Structural components are assigned to the longer recovery periods of 27.5 and 39 years. The assignments of these recovery periods are based on extensive tax research and a thorough understanding of applicable tax court cases.



Cost Analysis

Once the property components are assigned to their respective recovery periods, a cost determination must be assigned to each category and reconciled with the total project cost. Various methods are used to allocate component costs appropriately. However, the most efficient include the review of actual cost records or estimates made by qualified professionals.

Depreciation Computation

Each property component is categorized and depreciated over the recovery period assigned by its Cost Segregation Study. Depreciation is calculated according to current IRS guidance. The study will also cite the appropriate taxing authority relied upon when making determinations on certain components.

Successful implementation of Cost Segregation Study procedures calls for qualified individuals who have a thorough understanding of tax and engineering concepts alike. Our professionals have the extensive experience and advanced education to maximize your benefits and provide you with comfort that the study has been completed with the highest degree of integrity and accuracy.

Call us and find out how a Cost Segregation Study can work for your business.

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