

What a Cost Segregation study will do for you...

Reduce your taxable income:

With accelerated depreciation, you will owe less each year on your federal taxes. Our studies help you get the maximum tax deductions while staying on the right side of the LAW

Increase your cash flow:

With less taxable income, you can increase your company's cash flow, year after year.

Our cost segregation studies enable you to keep more of the money you make.

Grow your business:

What you do with that money is up to you. Many of our clients use their tax savings to reinvest in their business, purchase property for expanded operations or pay off their principle building payment.

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Hotel Owners FAQ



How will a Cost Segregation study create cash-flow for my business?

Cost segregation is the approved method of re-classifying components and improvements of your commercial building from real property to personal property. This process allows the assets to be depreciated on a 5, 7 or 15-year schedule instead of the traditional 39 year life of real property. Thus your current taxable income will be greatly reduced and your cash flow will increase \$40,000 to \$60,000 for every \$1,000,000 of building cost. **This is your money to use now.**

How will the New Repair Regulations affect my business?

The new repair and maintenance regulations are the biggest tax change since 1986. The AICPA says that **hotel owners will be affected more than any vertical market.**

First your existing depreciation schedule must be scrubbed and any items that do not rise to the new level of capitalization **MUST** be expensed. Regulation 1016 -3 says that if this is not done prior to an audit the remaining depreciable basis of the items can be disallowed. **Second** moving forward there are new capitalization criteria and three safe harbors that can be utilized to expense expenditures that would normally be capitalized. Your CPA should have informed you of these safe harbors so you can strategize about which repairs should be made and when.

Can I schedule my repairs and maintenance so that they can be expensed?

Yes. There are three strategies available. You should be proactive and strategize on all expenditures that are over \$2500 for 2017. The **first** is the de minimus safe harbor limit which all businesses can take advantage of in 2016 and beyond. Any expenditure under \$2,500 can be expensed. **Second**, if expenditures are deemed repair and maintenance, not a betterment, they can be expensed. **Third** is the small tax payer safe harbor which is an excellent opportunity for apartment owners. Owners would take 2% of the unadjusted basis of each building and write down expenditures under that 2% number.

I heard that I can expense items that went in the trash after my renovation including labor. Is that true?

This is a partial asset disposition. An owner can write off the remaining depreciable basis of assets that went in the trash during a renovation, addition or improvement, including the labor to remove the items. This can only be done in the year of the renovation.