

Tax Solutions for Commercial Building Owners

Recent tax reform has significant economic benefits for building owners. Reduce your income taxes and receive \$40,000 - \$80,000 in income tax savings per one million in building cost. Properly applying these U.S. tax code standards can help you capture economic opportunities. Talk with your tax professional and allow CSSI to be your calculation expert.

1 Cost Segregation

This method of identifying and classifying building components allows you to accelerate depreciation, take advantage of bonus depreciation, and generate additional cash flow to reduce taxes. An engineering-based cost segregation study is the basis for you to capture the tax savings opportunities below. Additionally, the reduction in income will maximize a loss carryback refund found in the 2020 CARES Act.

2 Partial Asset Disposition

A PAD allows an owner to write down the cost of items removed during a renovation as well as the cost of removal and disposal. Taxpayers can receive a tax deduction in the current year as this is a “use it or lose it” opportunity. Fail to capture it in the current tax year and lose the ability to write it down. PADs yield permanent tax savings at the time of sale by reducing building basis and recapture costs.

3 Qualified Improvement Property

Qualified Leasehold Improvements, Qualified Retail Improvements, and Qualified Restaurant Property have been placed with Qualified Improvement Property (QIP). QIP has a 15-year recovery period (if placed in service in 2018 or after), is eligible for bonus depreciation, and is eligible for Section 179 Expensing. A QIP is an improvement to the interior (excluding elevators, escalators, and internal structural framework) of any nonresidential real property placed in service after the date the building was first placed in service.

4 Capital to Expense Reversal

Building owners must reverse previously capitalized items on an asset schedule and expense them in the current year by applying the repair regulations to prior years. This reversal is achieved through a forensic evaluation of asset schedules, including historical improvements and repairs.