CSSI®
Cost Segregation Services Incorporated
Energy Services

Tax Solutions for Capital Projects including LED

In 2014, the regulations for commercial property owners were changed dramatically. The Tangible Property Regulations have major economic benefits for building owners and serious compliance issues. Additional tax incentives also offer significant economic benefits. Properly applying these new standards can help building owners capture economic opportunities worth millions in tax savings.
Let CSSI calculate your project tax savings!

COST SEGREGATION

Cost Segregation is the process of identifying and classifying building components that allow a building owner to accelerate depreciation and generate additional cash flow. An engineering-based cost segregation study is the basis for allowing an owner to capture many of the tax savings opportunities below, and it helps maintain compliance moving forward with tax code.

PARTIAL ASSET DISPOSITION (PAD)

A PAD allows an owner to write down the basis of what was removed and the costs for the removal and disposal of those items. Tax payers can receive a tax deduction in the current year, but it is a “use it or lose it” opportunity. Fail to capture it in the current tax year and the owner loses the ability to write it down. PADs yield a permanent tax savings at the time of sale by reducing recapture costs.

QUALIFIED IMPROVEMENT PROPERTY (QIP)

QIP is a new class of nonresidential real property that is eligible for bonus depreciation, starting with improvements placed in service in 2016. A QIP is an improvement to the interior of any nonresidential real property placed in service after the date the building was first placed in service. It does not include an enlargement to a building, the internal structural framework of the building, or any elevator or escalator. Interior and exterior LED retrofit projects may qualify for different types of bonus depreciation including QIP. Beginning in 2018, QIP is eligible for 100% bonus which means it can be fully depreciated in the first year of service.*

SECTION 179D

The Section 179D federal tax incentive is intended to promote the design and construction of energy efficient commercial buildings. All commercial buildings, parking garages, and multi-family residential buildings (greater than three stories) qualify for the deduction and expensing of $0.30 to $1.80 per square foot for qualifying energy efficient projects. These items are normally required to be depreciated over 27.5 or 39 years and include lighting, HVAC, and/or the building envelope. Projects completed from 2008 through 2017 may still qualify for the benefit. Although it is anticipated to be renewed, congress has not approved 179D for 2018.

CAPITAL TO EXPENSE REVERSAL

Building owners may now reverse previously capitalized costs and expense them in the current tax year by applying the new regulations to prior years.

*This is dependent upon changes to be made to the current tax law by Congress. It is anticipated these changes will be made for the 2018 tax year.

LED Retrofit Before and After Tax Savings

		Project Cost	Net Cost	Payback Period (Years)	ROI
Self-Storage	**Before**	$115,577.96	$87,440.22	4.0	214.77%
	After	$115,577.96	($43,081.98)	0.0	327.70%
Hotel	**Before**	$69,511.07	$54,634.65	2.3	356.60%
	After	$69,511.07	($180,705.91)	0.0	695.16%
Assisted Living	**Before**	$57,115.91	$45,775.51	2.8	308.17%
	After	$57,115.91	($71,470.49)	0.0	513.45%

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IT’S YOUR MONEY. KEEP MORE OF IT.