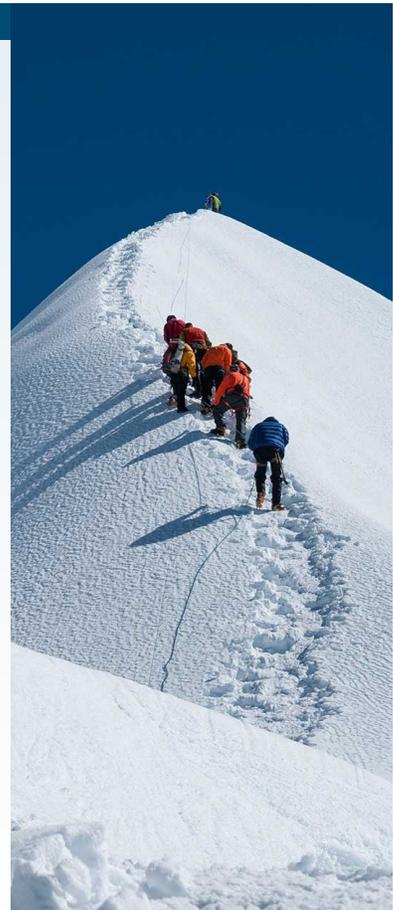


Cost Segregation: The Rules Have Changed.



A Hidden Tax Secret in the CARES Act of 2020!

The purpose of this newsletter is to share a new provision in the CARES Act which may provide you a new source of cash flow based on your five prior tax years! We will not address SBA, EIDL or PPP loans in this article. 2020 will be remembered as a year of adaptability, toilet paper shortages, social distancing and wearing a mask because of the COVID-19 Virus. Survivability for both the business owner and society as a whole thrust this nation into a period of panic, fear and unplanned situations.

Show me the MONEY!

If you are a investment property owner, your CPA has shared with you the benefits of depreciating that asset using a 39 year schedule. Which means, you could enjoy some minor income tax deductions which reduces your taxable personal income. But what if you could accelerate the depreciation on parts of the asset in 5, 7 or 15 years? If yes, that would mean higher deductions now, less income tax paid and more money in your pocket to create new opportunities! **That is what a Cost Segregation Study did “under the old rules”.**

Key here is to recognize different parts of a building or how the use of the building can justify a shorter depreciation period when properly analyzed and reported. Cost Segregation has been around since 1987 and gained popularity in the Tax Reform Act of 1997 as a proven tax strategy. With the passage of the **2020 CARES Act**, this strategy is “Way-Mo-Better” as we say in Alabama thanks to Net Operating Loss and Bonus Depreciation!

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Special points of interest

- Why Have None of My Advisors Shared This Solution With Me?
- Did I overpay my Income Tax?
- I Plan to Improve My Property. Should we Discuss that as Well?
- Is there a Way to Eliminate Capital Gains Tax?
- Are There Options to 1031 Exchanges?
- How Can I Freeze my Discounted Property to Avoid Increased Estate Tax Exposure?

Comparing How a CPA and Engineer Compute Depreciation.

Investment \$2,000,000.00

CPA Straight-Line Method 39 Years
Is Less Money for You.



Cost Segregation Method uses 5, 7, 15
and 39 Year Depreciation Calculations.

For Example:

Carpeting / Wall Coverings

Phone / Computer System

Lighting / Partitions

Storage Tanks / Roof

Ventilation System

Building and Aircraft owners are shocked when they learn an Engineer should have conducted the Cost Segregation analysis - not the CPA. An engineer will drill down to the specifics! This can benefit you financially. Using an investment property, surely some components don't last as long as others!

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EDWARD W. COTNEY

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Here is How the CARES Act Can Help You NOW!

In a nutshell, the CARES Act **adds a five-year carryback period and suspended the 80% limitation for 2018, 2019 and 2020 Net Operating Losses.** We can help you determine if your Qualified Improvement Property can **retroactively** apply BONUS depreciation - which means cash to you now. This is not a loan. If you would like a free analysis, contact me ASAP. See Chapter 8 of my book.

Here is a common example.

CARES Act 5 Year CarryBack				
	Income	Tax Paid	Loss Carryback	Refund Due
2014	75,000	10,463	(75,000)	10,463
2015	150,000	29,088	(150,000)	29,088
2016	400,000	107,413	(299,167)	90,727
2017	350,000	90,717		
2018	195,000	35,379		
2019	(524,167)			\$130,277
		No Cost Seg	CPA Method	Engineer Method
2019 AGI		245,000	(82,389)	(524,167)

My CPA has Already Done This...

Building purchase June 1, 2018 \$2,000,000.00	Cost Allocations	2018 Deprecia- tion Expense	Cost Allocations	2018 Deprecia- tion Expense
Annual Depreciation Expense W/O Cost Seg	2,000,000	27,778	2,000,000	27,778
5 year property	92,000	92,000	205,000	205,000
7 year property	15,000	15,000	25,000	25,000
15 year property	225,000	225,000	550,000	550,000
39 year property	1,668,000	23,167	1,220,000	16,944
Totals	2,000,000	355,167	2,000,000	796,944
Cash Flow Results				
Increased 2018 Depreciation Expense		CPA 327,389		Engineer 769,167
Estimated Fed & CA Tax Rate		34%		34%
Estimated tax savings		\$ 111,312		\$ 261,517

If I had a dollar for every time a person told me their CPA has taken care of this, I would be on a beach in Hawaii with my toes in the sand, sunburned and with my grand children driving me crazy! I can't wait...

As you can see, there is a difference in...

*The CPA Method
vs.
The Engineering Method.*

It's Your Money!



Whether you acquired or constructed a new building after 1986, to include renovations, you can apply these IRS rules and capture significant tax savings starting NOW! Clearly, a study prepared by a qualified and experienced engineering firm can help you and your CPA report the "TRUE" depreciation values of your assets and put NEW money in your pocket NOW. What if, before you made an acquisition, you ordered a study?

"In America, there are two tax systems: one is for the informed and one for the un-informed. Both are legal." Judge Learned Hand

Two More Tax Secrets - 2014 Tangible Property Regulations (TPR) / Repair Regulations
Improvements or Repairs to existing property as items you must either Capitalize or Expense.

Capitalize: **Carry** on your Depreciation Schedule.

Expense: **Write Down and Remove** from your Depreciation Schedule.

Or the Ability to Write off assets no longer in use.



I help families and business owners pay less tax and enjoy more life, Guaranteed!



www.OlympusTax.com
CA Lis: 0K67189

Edward W. Cotney

If you feel there is a better way to pay less tax, enjoy more life and become a catalyst for the greater good rather than being a compulsory taxpayer, look no further! My purpose is to “unlearn” you from all of the poor wealth habits you have been taught for years.

In 2018, I published “*Tax Secrets Made Simple*”, a book to help families of all income levels pay less tax. I will teach you how to reduce your Income Tax for life, eliminate Capital Gains Taxes, and fully apply the 80,000 pages of beautiful tax code you could have used!

If you would like to pay less tax, we should talk.

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