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OFFICE BUILDINGS

See What's Possible with Cost Segregation

WHAT IS COST SEGREGATION

- Engineering-based analysis that identifies and quantifies building components
- Components are then reclassified into shorter-lived tax categories, resulting in accelerated depreciation, tax deferral, and increased cash flow
- Front-loading of depreciation leverages the time value of money

WHY PERFORM COST SEGREGATION

- Accelerated depreciation of an office building can create $30,000-$120,000 in federal tax benefits for every $1M spent. Engineers generally accelerate 10-25% of assets in an office building.
- IRS-preferred strategy leverages your fixed assets while serving as an excellent asset management tool
- Vehicle for tax savings – study methodology provides the data needed to support other tax strategies:
  - When dealing with a fit-out and/or renovation, bonus-eligible Qualified Improvement Property is in play
  - The Tangible Property Regulations may be applied in renovation scenarios
  - Section 179 expensing rules may be appropriate
  - A large energy-efficient office building may be a good candidate for a 179D Deduction energy study

WHICH OFFICE BUILDING ASSETS ARE COMMONLY SEGREGATED

- Shorter-lived 5- and 7-year assets may include:
  - Carpet
  - Wallpaper
  - Window Treatments
  - Crown Molding
  - Decorative Lighting
  - Paddle Fans
  - Fire Extinguishers
  - Office Furniture
  - Computer Equipment, Cabling, Dedicated Outlets
  - Cabinets and Countertops in Kitchen/Break Room
- Shorter-lived land improvements may include:
  - Landscaping
  - Paved Parking Lots
  - Sidewalks
  - Retaining Walls

EXAMPLE ACQUIRED OFFICE BUILDING, EAST COAST

- Three-story building, 8 office suites, large parking garage in basement that exceeds above-grade footprint
- Depreciable Basis: $ 8,569,800
- Placed-in-Service: 12/2022
- Engineers moved 9.8% of assets to 5-year personal property, 9.3% to 15-year land improvements
- First Year Tax Savings: **$565,738**

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EXAMPLE ACQUIRED OFFICE BUILDING, SOUTH

- Three-story building, 6 tenants
- Depreciable Basis: $10,012,500
- Placed-in-Service: 12/2022
- Engineers moved 15% of assets to 5-year personal property, 9% to 15-year land improvements
- First Year Tax Savings: **$866,555**

EXAMPLE OFFICE BUILDING RENOVATION

- Tenant space was gutted and replaced with a new fit-out
- Depreciable Basis: $932,632
- Renovations Placed-in-Service: 11/2022
- Engineers moved 35% of assets to 5-year personal property, 59% of assets to 15-year QIP
- First Year Tax Savings: **$302,356**

WHERE CAN I LEARN MORE

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SCAN ME

VISIT - https://capstantax.com/cost-segregation-study-explained/

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Capstan Tax Strategies delivers engineering-driven specialty tax solutions that maximize the valuable tax benefits of real estate holdings. By complementing and collaborating with accounting firms, we arm commercial real estate owners, executives, and tenants with the data and analysis required to accelerate depreciation, maximize deductions, and capture tax credits.

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