

CJ&A

Benefits Of Cost Segregation



In addition to increasing cash flow, cost segregation can benefit businesses in a number of ways:

Maximizing tax savings by adjusting the timing of deductions:

When an asset's life is shortened, depreciation expense is accelerated and tax payments are decreased during the early stages of a property's life. This, in turn, releases cash for investment opportunities or current operating needs.

Creating an audit trail:

Improper documentation of cost and asset classifications can lead to an unfavorable audit adjustment. Properly documented cost segregation helps resolve IRS inquiries at the earliest stages.

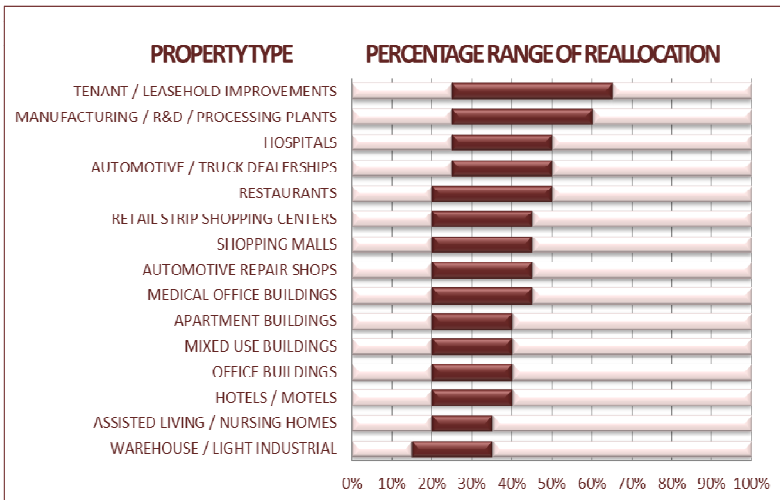
Playing catch-up retroactively:

Since 1996, taxpayers have been able to capture retroactive savings on property added since 1987. Previous rules, which provided a four-year catch-up period for retroactive savings, have been amended to allow taxpayers to take the entire amount of the adjustment in the year the cost segregation is completed. This is accomplished by filing a 3115 (Change in Accounting Method) in the year of filing. This opportunity to recapture unrecognized depreciation in one year presents an opportunity to perform "look-back" cost segregation analyses on properties previously left in 27.5 year or 39 year class life and substantially increase cash flow in the current year.

Additional tax benefits:

Cost segregation can reveal opportunities to reduce real estate tax liabilities, identify certain sales and use tax savings opportunities, and allow for retirement of assets when they become non-serviceable.

Typical Savings by Property Type



WHAT MAKES AN INDIVIDUAL OR COMPANY A GOOD CANDIDATE FOR A STUDY?

- **Any individual or company planning to hold property long enough to avoid recapture issues.** Usually three years or more depending on an individual's tax situation.
- **Any individual or company currently paying taxes.**
- **Any individual or company who would benefit from increased cash flow through additional depreciation deductions.**

CJ&A is one of only a select few national firms that have a degreed Engineer with hands-on field experience on staff. CJ&A utilizes absolutely no outsourcing related to field verification, in-house production or report generation of their Cost Segregation studies.

Quality is our business

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