



**Valbridge**  
PROPERTY ADVISORS



## TAX REFORM SOLUTIONS FOR COMMERCIAL BUILDING OWNERS

### **VALBRIDGE PROPERTY ADVISORS**

3033 Riviera Drive, Suite 106  
Naples, FL 34103  
Phone: 888.981.2029

[www.valbridge.com](http://www.valbridge.com)

# COST SEGREGATION IN COMMERCIAL REAL ESTATE

Cost segregation is the process of identifying assets according to their asset class lives and associated costs, and classifying those assets for federal tax purposes. Cost segregation enables commercial real estate owners to reallocate real property to personal property, which means substantially shorter depreciable tax life and accelerated depreciation methods. The end result is lower income taxes of \$30,000 - \$100,000 per million in building costs for the building owner.

The benefits of a cost segregation study include:

- Immediate increase in cash flow
- Reduction in current income taxes
- Deferral of taxes
- Ability to reclaim “missed” depreciation deductions from prior years without having to amend tax returns

## COST SEGREGATION AND COMMERCIAL TAX REFORM

### HOW DOES COST SEGREGATION RESULT IN INCREASED INCOME?

Because cost segregation is the process of re-classifying components of your commercial building in a way that allows much of those assets to be depreciated on a 5-, 7-, or 15-year schedule as opposed to the more-traditional 39-year schedule, it allows your current, taxable income to be greatly reduced.

### WILL TANGIBLE PROPERTY REGULATIONS IMPACT YOUR BUSINESS?

New business repair and maintenance regulations are some of the biggest tax changes in many years. Compliance with these regulations is not optional. Prior to an audit, your existing depreciation schedule needs to be reviewed. Any items that do not meet the new level of capitalization must be expensed. It is important to know that, with the new criteria, there are several “safe harbors” that assist in expensing expenditures that would normally be capitalized. You and your advisor can use these safe harbors to strategize when and how changes should be made to maximize your benefits.



**Valbridge Property Advisors** is the largest independent commercial property valuation and advisory services firm in the U.S., with 200 MAI-designated appraisers, more than 80 office locations, and over 675 associates across the nation. Valbridge provides independent appraisal services consistent with the highest industry standards of practice. Let Valbridge show you how your commercial property could benefit from cost segregation. We can work with you to survey your property and classify assets appropriately – in a way that maximizes the benefits you will see on your commercial property’s next tax return.

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#### How to Get Started

Follow the AICPA recommendation for application—get an engineering-based cost segregation study. It’s easy:

1. Call Valbridge to request a no-cost preliminary property analysis to illustrate your potential savings.
2. Engage Valbridge to begin your cost segregation study. The process is usually completed in six to eight weeks, after which we provide the study to you and your CPA.
3. The CPA will apply the results to your tax return and you will realize your tax savings dollars. This is your money!

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INDEPENDENT VALUATIONS  
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