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How the IRS cost segregation tool can help todays investor

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The present Internal Revenue Service code allows and encourages a building owner to depreciate a new or existing structure in the shortest amount of time permissible by taking advantage of cost segregation. What is cost segregation you may ask? Cost segregation is an IRS guided tax reduction tool that segregates personal property from real estate allowing shorter depreciation times. This accelerated depreciation will result in reducing the property owner's taxable income.

Preparation of cost segregation studies requires knowledge of both the construction process and the tax law involving property classification for depreciation. In general, a study by a construction engineer is more reliable than one conducted by someone with no engineering or construction expertise.

Most investors are not aware of engineering-based-cost-segregation and do not understand the benefits it provides. Those who are familiar with cost segregation think it only makes sense for large properties (over $10 million). Regrettably, there is limited and inaccurate information regarding a material issue that could sharply reduce federal taxes for commercial property owners.

Local and federal property tax reduction are legal strategies and based on the basic principal that a "dollar today is worth more than a dollar tomorrow" thus a tax deduction today is worth more than a tax deduction tomorrow this is known as "Time Value of Money".

The Bottom Line: an engineering-based-cost-segregation study offers one of the most valuable tax strategies available, offering facility owners the opportunity to defer taxes, reduce their overall current tax burden, and free up capital by improving their current cash flow.

An engineering-based-cost-segregation study when duly performed will provide a free proposal outlining the cost benefit ratio. Moreover, a report issued to your CPA outlining future depreciation schedules for your tax filings.

Current IRS tax laws allow owners the opportunity to reduce their tax burden. Moreover, owners should be encouraged to make the effort to increase their bottom line, given these very difficult economic times.

Real estate property tax reduction is an opportunity, owners may want to consider also, in trying to keep their bottom line in the black.

Owners of commercial real estate are also reluctant to appeal their property tax for fear of the unfounded negative repercussions within their community. Commercial property owners find these taxes are major expenses affecting their bottom-line. There are many ways to appeal your assessment, 1st is to obtain a copy of your property tax card from the assessors and check it for data errors. If the PRC proves the physical data to be correct, there are other methods of analysis to determine accuracy, however, you may need someone with expertise in that area.

State laws allow owners to appeal their over assessed values through municipal assessing boards and through higher levels of appeal. Assessors want to have your assessment correct so you are not paying more than your fair share of the tax burden.
These are difficult economic times, not the time to be hesitant about reducing your bottom line, by taking advantage of this current tax benefits and laws.

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