## Cost Segregation Studies Perception versus Reality

- You have already completed a study.
- You have never heard of a cost segregation study.
- The IRS doesn't allow it.
- You'll get audited.
- You won't save any money.
- You'll get the deduction in the future anyway.
- You are in an alternative minimum tax situation.
- You'll owe taxes when you sell the building.
- You are out of luck if the building was constructed or acquired in prior years.

- Not unless an appraiser or engineer was specifically hired to breakout the costs.
- You probably have not unless you are working with an appraiser, engineer or a firm specializing in them.
- People confuse cost segregation studies with component depreciation, which was abolished by the IRS beginning in 1987. In fact, the IRS requires a study in order to take the proper depreciation.
- Only if we take deductions we shouldn't.
  Generally less than 1% of returns are audited.
  Over 400 IRS court cases and rulings support cost segregation studies. The most recent was Hospital Corporation of America.
- If you pay taxes, you save.
- Almost everyone would rather have the cash now to reinvest or meet current needs. The present or future value of money is usually substantial.
- Cost segregation studies also reduce alternative minimum tax because alternative minimum tax depreciation is also accelerated when a study is completed.
- You will owe them anyway, except your deductions will be at ordinary rates and a majority of the taxes due on sale will be at capital gain rates. This is a permanent tax difference of 16% at the highest marginal tax rates.
- Special provisions enacted by the IRS allow you to "catch-up" on any missed depreciation for any buildings built or acquired since 1987. No amended returns are required.