

Using Cost Segregation to Reduce Your Taxes

As we move into tax season, property owners are often considering their options to reduce income tax obligations. Cost segregation is one approach to identifying and depreciating assets within a commercial building in a shorter time frame than the entire building itself. Typically the building as well as the furniture, fixtures, and equipment within the building are depreciated using a straight-line approach over a thirty-nine year period. Conducting a cost segregation analysis on your property can locate and quantify personal property as well as land improvements on an accelerated depreciation of five, seven and fifteen years. These benefits can apply to all commercial property including residential income properties, office, industrial, retail, and special purpose.

A cost segregation study would have to be completed in order to analyze the physical aspects of the property itself as well as personal property. Personal property assets include a building's non-structural components, exterior land improvements, and indirect construction costs. The study has to be performed by a qualified firm who uses guidelines specified by the IRS. For existing property, the specialist has to become familiar with the property and how the property is utilized by the owner. They then apply a full cost estimating analysis of the property including inspections, photographs, and measurements. This allows the specialist to reconstruct the property and determine a basis for the various aspects of personal property and land improvements. Values are then attributed using guidelines specified by the IRS.

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The goal is to maximize the tax benefit for all aspects of the property and depreciate on a timelier basis to reduce income tax obligations. Recent changes in the tax law have improved the benefits of cost segregation by increasing bonus depreciation from fifty percent to one hundred percent on certain qualifying assets. It also allows properties acquired after September 27 of 2017 to qualify for special depreciation treatment.

Please contact your accountant to see if your property may benefit from this strategy.

Source: Expert Management Professionals and Cost Segregation Services Incorporated.

**Current SBA 504 Effective Rate for
December 2019 3.64%**



Automotive Building & Business for Sale



First Time on the Market!

Automotive building including successful business, inventory and equipment-established for over 40 years!

3 above-ground lifts, 19' clear height, underground pit to work on large vehicles and bonus mezzanine storage.

Two- 24'x14' grade-level doors, one- 12'x14' grade level door and fenced yard.

4658 Rosemead Blvd. Pico Rivera

Please contact me for more information.



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Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.

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