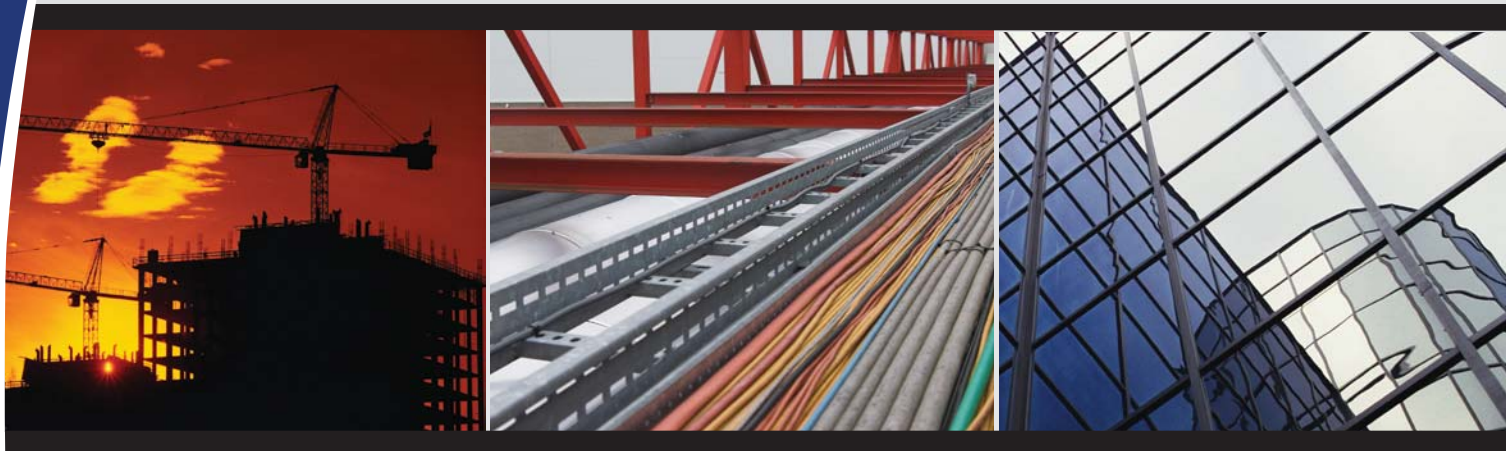




Cost Segregation

Mining the Hidden Assets in Your Commercial Real Estate Investment



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Swink Fiehler & Company, P.C.

Swink, Fiehler & Company, P.C. is a full-service CPA and Consultant firm specializing in business management services for small to mid-size companies, their principals and individuals of significant net worth. We operate in the areas of tax planning and preparation, business accounting, auditing, management consulting, financial and estate planning and consulting and information technology consulting.

While we are certainly proficient at the tax services and financial audit services offered by traditional CPA and Consultant firms, our real strength lies in our ability to become a full partner to our clients, extending our management expertise to their organizations. Clients choose to work with us because we help make their companies stronger through sound management decisions, thoughtful planning and innovative solutions to their business and personal challenges.

Like the successful companies we work with, Swink, Fiehler & Company is comprised of a team of professionals, each of whom brings his or her unique strengths to the company. Each of the partners at Swink, Fiehler & Company, P.C. is dedicated to helping our clients realize their full potential on both a personal and professional level.

We invite you to learn more about our capabilities.

Depreciation

de•pre•ci•a•tion

an allowance for a decline in the value of a property due to general wear and tear or obsolescence

Cost Segregation

cost seg•re•ga•tion

established tax practice of using an engineering study to separate various construction items in a structure for accelerated depreciation

Present Value

pres•ent val•ue

the sum to which a dollar amount invested today will grow given some appreciation rate





How Does It Work?



If a corporation bought an empty shell building, it would depreciate in 39 years.

If you then installed a cable system in this building, you would depreciate it in 15 years.



Cost Segregation is the process of engineers and accountants making a determination on how to separate the various parts of your purchase as if they were separate and taking depreciation appropriately.

Examples

Standard Tax Depreciation for Commercial Real Estate Property

Purchase Price: \$1.4 Million Dollars

Building: \$1.26 Million

Land: \$140,000

Depreciation per Year:

Year 1 \$32,400

Year 2 \$32,400

Year 3 \$32,400

Year 4 \$32,400

Year 5 \$32,400

Depreciating in this manner assumes all portions of your property will last 39 years





Examples

Cost Segregation Depreciation for Commercial Real Estate Property



Purchase Price: \$1.4 Million Dollars

Building: \$1.26 Million

Land: \$140,000

Depreciation per Year:

Year 1 \$60,700

Year 2 \$87,400

Year 3 \$70,500

Year 4 \$58,700

Year 5 \$52,100

Depreciating in this manner
assumes that some portions of your
property will have to be replaced
prior to 39 years

Compare Methods

Compare Methods Depreciation Difference Cost Seg vs. Standard

Year 1	\$28,300
Year 2	\$55,000
Year 3	\$38,100
Year 4	\$26,300
Year 5	\$19,700

TOTAL	\$167,400
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Present Value of Extra Depreciation

The Net Present Value of this additional depreciation assumes:

- Holding Period of 39 Years
- Discount Rate of 8%
- Ownership Tax Rate of 35%

\$49,491

Who Is A Candidate?

Properties that make good candidates for cost segregation have the following attributes:

- Purchase Price Over \$1 Million Dollars
- Significant Interior Fit-Up
 - Office Buildings, Apartments
 - Non-warehouse type buildings
- Profitable Businesses or Owners
 - Depreciation is used to Offset Income and Save Tax
 - No Income, No Tax
- Purchased in the last 5 Years





What Does It Cost?

The cost of the study varies by property type, size and complexity.

Our example property is actually a live client case. In this instance the cost was \$6,500 and achieved a tax savings for our client of \$49,491 or a Return on Investment (ROI) of 8 to 1.

If you have a client that might be a candidate, please call. We can get you the following FREE:

- Determination of Candidacy
- Estimate of Study Cost
- Estimate of Tax Savings and ROI

Why Would I Do This?

Your customers look to you as a Real Estate professional.

They expect you to help them with the following:

- Identification of Good Investment Property
- Assistance with Cash Flow Analysis
- Opportunities for Tax Advantaged Purchases
- Guidance with Complicated Real Estate Transactions

Cost Segregation is another tool you can use for your current, past and future clients to improve their cash flow and reduce their taxable income. How many of your clients would you like to call today and put cash back in their pockets?



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