
Cost Segregation Newsletter - June 2007

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Hidden Tax Benefits From The Cost Segregation: To minimize Estate Tax, Cost Segregation planning generates tax benefits by accelerating depreciation on the same property multiple times which reduces Estate Taxes. In a community property estate a family can take accelerated depreciation on the same short-life assets to receive virtually unlimited benefits given the number of family members and other circumstances. * see IRS publication 950. When a tenant enters into a lease agreement and collects allowances for improvements from the landlord, it is important to focus which costs the improvements are covering. A landlord will want to allocate the allowances to shorter-lived assets whereas a tenant will want the allowances allocated to structural components so the out of pocket costs go to paying the shorter-lived assets.

By completing a Look-Back Study on an old property, or performing Cost Segregation on an acquired property, a taxpayer can create additional tax deductions that create an opportunity to take cash out of an exchanged property while mitigating the impact of the income. By moving inactive funds to pay down leveraged real estate, a taxpayer can turn non-deductible inert losses into passive earnings, which combined with Cost Segregation, can provide direct tax benefits. Cost Segregation works well in conjunction with other depreciation rulings. A newly built asset with a life of 20 years or less that is placed in service within the permissible time frame will be eligible for bonus depreciation. Therefore, Cost Segregation creates a noteworthy improvement in bonus depreciation deductions.* See our May 2007 Newsletter