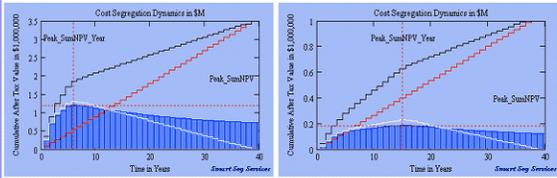


*An Engineered Approach that Maximizes Cash Flow for Our Commercial Property Clients*



Cost segregation is a tax strategy used to increase cash flow and Net Present Value by accelerating tax depreciation deductions. Depreciation is a method of recovering the cost of a property through tax deductions.

Cost segregation methodology is the factually intensive, engineering-based process of identifying and valuing the component parts of commercial real estate for the purpose of determining which parts can qualify for faster depreciation.

The foundational legal precedent for Cost Segregation comes from a United States Tax Court decision, *Hospital Corporation of America (HCA) vs. Commissioner*, 109 T.C. 21 (1997). In that case, HCA owned several buildings that were subject to long depreciation periods, typically 39 years. HCA separated through engineering studies the structural portion of the buildings from the non-structural portion, and depreciated the latter for 5 - 7 years, resulting in a tremendous increase in cash flow and Present Value.

A cost depreciation study requires a team of analysts with skills in construction and engineering along with tax law and accounting practice. Per the IRS it requires "personnel competent in design, construction, auditing, and estimating procedures relating to building construction." *IRS Private Letter Ruling 7941002*

Our cost segregation services organization has completed over 1800 studies, reclaimed over \$100 million in NPV for our clients, with a 100% success IRS record. Our service focuses on commercial properties in the \$300,000 to \$4,000,000 range, although we have worked with properties up to \$60,000,000.

What type of businesses qualify for cost segregation?

- Automotive Dealerships
- Banks
- Hotels/Motels
- Medical Centers
- Nursing Homes
- Office Buildings
- Restaurants
- Shopping Malls
- Storage Facilities
- Manufacturing Facilities
- Warehouses

### ***How do we get started?***

***Request a Smart Seg Services Complimentary Benchmark Cost Segregation Analysis.***

## ***Benefits of Cost Segregation***

Cost Segregation Project	First Year Increase in Cash Flow	NPV of Accelerated Cash Flow
105,000 sq. ft. Inside Storage Facility	\$74,700	\$67,000
275,000 sq. ft. Shopping Center	\$213,000	\$364,000
75 room Hampton Inn	\$210,000	\$205,000
\$3.2 M Bank Building	\$162,000	\$139,000

*Net Present Value (NPV) assumes a 36% federal tax rate, 8% discount rate, and 39 year life.*



**239-542-8300**  
**www.SmartSeg.com**

**Thomas W. Kotowski**  
**Cost Segregation Engineer**  
**Cell: 239-898-2622**  
**info@SmartSeg.com**