

Cost Segregation and the Convenience Store

SCENARIO #1

An investor purchases a convenience store and surrounding land for **\$2 million**.

\$1.5 million of the purchase price is allocated to the building.
\$500,000 is allocated to land.

Without a Cost Segregation Study the owner expenses 1/39th of the building each year, which is approximately **\$38,500 each year**, resulting in **depreciation expense of \$385,000 over the first ten years**.

SCENARIO #2

An investor purchases a convenience store and surrounding land for **\$2 million**.

A Cost Segregation Study is ordered (at an owner investment of \$6,250). The study reallocates portions of the purchase price away from real property to personal property and land improvements.

\$135,000 is attributed to personal property, things like floor coverings, built-in shelving and refrigeration units, specialty electrical and specialty plumbing systems.

Another **\$180,000** is allocated to land improvements such as asphalt, sidewalks, parking lot lighting, and drainage.

During the **first year**, approximately **\$66,000** is expensed, resulting in **immediate tax savings exceeding \$10,000**. After **ten years** of service, approximately **\$560,000** will be expensed through depreciation, compared to the **\$385,000** in SCENARIO #1, resulting in **additional tax deductions of over \$175,000**.

The owner, as a result, could save about \$68,000 in federal income taxes over the first ten years, while the cost of the study is recuperated in the first year of operation.

Harvey Bilisoly
Marketing Director
The Cost Segregation Group
555 E Main Street, Suite 1600
Norfolk, VA 23510
(757) 533-4156 – Main
(757) 533-4125- Direct
(757) 625-6351 - Fax
Website - www.costsegregationgroup.com

