Cost Segregation and a Distribution Facility

SCENARIO #1

An investor purchases a **$3 million** warehouse facility in 2009.

$2.6 million of the purchase price is allocated to the building.
$400,000 is allocated to land.

Without a Cost Segregation Study the owner expenses 1/39th of the building each year, which is approximately $67,000 per year, resulting in **depreciation expense of $667,000 over the first ten years.**

SCENARIO #2

Same investor purchases a **$3 million** warehouse facility in 2009.

A Cost Segregation Study is ordered (at an owner investment of $8,000). The study reallocates portions of the purchase price away from real property to personal property and land improvements.

$160,000 is attributed to personal property, things like rack systems, counters, built-in shelving, telecommunication systems, and specialty lighting.

Another **$290,000** is allocated to land improvements, such as asphalt, sidewalks, parking lot lighting, landscaping, and drainage.

During the first **ten years** of service, approximately **$907,000** will be expensed through depreciation, compared to the **$667,000** in SCENARIO #1, resulting in **additional tax deductions of over $240,000**.

The owner, as a result, could save about $84,000 in federal income taxes over the first ten years, while the cost of the study is recuperated in the first year of operation.

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