

Cost Segregation and a Technology Center

SCENARIO #1

An investor purchases a **\$2 million** technology center.

\$1.7 million of the purchase price is allocated to the building.
\$300,000 is allocated to land.

Without a Cost Segregation Study the owner expenses 1/39th of the building each year, which is approximately **\$43,600 each year**, resulting in **depreciation expense of \$436,000 over the first ten years**.

SCENARIO #2

An investor purchases a **\$2 million** technology center.

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.

\$200,000 is attributed to personal property, things like specialty electrical systems, counters, built-in storage systems, telecommunication systems, and specialty lighting.

Another **\$140,000** is allocated to land improvements, such as asphalt, sidewalks, parking lot lighting, landscaping, and drainage.

During the **first year**, over **\$80,000** is expensed, resulting in **immediate savings exceeding \$15,000**. After **ten years** of service, approximately **\$643,000** will be expensed through depreciation, compared to the **\$436,000** in SCENARIO #1, resulting in **additional tax deductions of over \$207,000**.

The owner, as a result, could save about \$83,000 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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