

# COST SEGREGATION: How can it help my business?

## FREQUENTLY ASKED QUESTIONS

### Why have I never heard of this?

Cost Segregation is the best kept secret in the IRS. The IRS statutes on cost segregation are buried deep within the code and the IRS is not likely to promote cost segregation as it reduces their tax revenue.

### Wouldn't my CPA have already done this?

Highly unlikely since cost segregation is based on engineering and construction cost accounting skills. Just as Incentives Advisors does not do tax returns, CPAs do not do cost segregation.

### Why wouldn't my accountant tell me about this?

**Cost segregation is not a CPA's area of expertise or focus.** Therefore, they are simply not well-versed in this area and rarely bring to the attention of their clients.

### Will I have to amend past tax returns if my property was placed in service prior to the current tax year?

No. The IRS allows you to file a form 3115 to automatically change the accounting method (Section 2.01 of the Appendix of Revenue Procedure 2002-9). This form will show a calculation of the depreciation adjustment after the cost segregation study.

### What if the entity that the property is under is currently under audit?

If the entity is in an audit, they may have a cost segregation study done on the property, but the CPA will not be able to file a 3115 form until the audit is complete. This means they will not be able to use the study for tax purposes until the audit is done.

### Doesn't everything in the building belong to the tenant?

Cost segregation does not deal with the tenant improvements for an income property owner, although a separate cost segregation study can be performed for the tenant on the assets they purchase. Cost segregation **does**, however, encompass the costs of the assets within the walls, such as electrical and plumbing, and assets outside the walls, such as trees and parking lots **for the income property owner**.

### I bought the property so long ago. Will cost segregation help me?

The IRS allows you to go back to properties as far as 1987. However, practically speaking, any property built or bought within the last 10 to 12 years will generate the more attractive benefits for the owner.

### Will I be at risk of an audit by doing a cost segregation study?

Audits are always a possibility with or without a cost segregation study. The experts at Incentives Advisors meet and exceed all 13 points of the Audit Technique Guide of IRS Cost Segregation. On the chance that the IRS has a question, Incentives Advisors will defend your cost segregation study at our time and cost.

### I have partners—will this still work for me?

Yes. The benefits from a cost segregation can be easily split between partners or members.

### How much does a study cost?

The price of a cost segregation analysis will vary depending on the type and size of the property. During your initial consultation, request a net present value estimate on your property as well as a price quote.

**FOR MORE INFORMATION ON SAVINGS THROUGH COST SEGREGATION, PLEASE CONTACT US FOR A COST-FREE ESTIMATE.**

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