



Cost Segregation Studies



Through Dean Dorton's cost segregation studies, you can accelerate income tax depreciation deductions, providing you with improved cash flow.

Valuable Tax Savings Embedded in Buildings

Your company's real estate is likely to represent a large capital investment. If you own real estate and pay income taxes, you can benefit from the results of a cost segregation study. With Dean Dorton's engineering-based cost segregation studies, you maximize your real property's financial return by generating significant cash flow savings. A cost segregation study is an analysis performed by trained professionals to identify property that should be classified as tangible personal property or land improvements, depreciated using 5, 7, or 15 year schedules instead of the 27.5 or 39 years that apply to buildings. This acceleration of deductions can result in substantial cash flow benefits.

We will "mine" these cash flow benefits from:

- New buildings presently under construction
- Existing buildings undergoing renovation, remodeling, restoration, or expansion
- Purchases of existing property
- Office/facility leasehold improvements and "fit-outs"
- Post-1986 real estate construction, building acquisitions or improvements where no cost segregation study was performed
- Property acquired under Section 1031 exchanges
- Purchases or inheritances of interests in partnerships which own appreciated buildings

For property placed in service in prior years, the IRS allows a "catch-up" deduction in Year 1 for the additional depreciation deductions that are identified in a cost segregation study to which you were entitled but did not claim in previous years. This can generate substantial tax savings in the year the study is done.

A Solid Case for Cost Segregation – Dean Dorton's Engineering-Based Approach

With a Dean Dorton cost segregation study, you have evidence to support your entitlement to more accelerated depreciation. Dean Dorton uses an Atlanta-based engineering firm to provide cost segregation studies to our clients. This engineering firm conducts studies that conform to the Cost Segregation Audit Techniques Guide issued by the IRS. They have performed over 15,000 studies and have successfully defended challenges brought forth by the IRS. You will be provided with full documentation, employing engineering, and cost-estimating procedures recognized in IRS Rulings and judicial decisions. A complete "audit trail" traces derived unit costs from contract documents and other source data.

Case Studies

One of Dean Dorton's most recent cost segregation studies was on a \$7.3 million manufacturing facility that was purchased and renovated in 2013 generated tax savings in the first year of \$145,000. The present value of accelerated deductions (discounted at 8%) exceeded \$267,000. The return on investment for this study was 44.5 to 1.

A cost segregation study on a \$9.4 million apartment complex that was constructed in 2013 generated tax savings in the first year of \$827,000. The present value of accelerated deductions (discounted at 8%) exceeded \$690,000. The return on investment for this study was 127.8 to 1.

We also performed a cost segregation study on a \$16 million newly constructed distribution facility that generated tax savings in the first year of \$619,000. The present value of accelerated deductions (discounted at 8%) exceeded \$469,000, assuming the property is owned for at least 39 years. The fees for this cost segregation study were \$12,500, resulting in a potential return on investment for this study of 50.7 to 1.



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Which Industries Prosper with Dean Dorton's Cost Segregation Studies?

| Property Type | Eligible Percentages |
|--|----------------------|
| Assisted Living | 15-25% |
| Apartment Building | 20-35% |
| Automobile Dealership | 25-50% |
| Bank/Financial Institutions | 15-30% |
| Computer Operations/Tech. Center | 20-60% |
| Distribution | 5-15% |
| Farm | 50-60% |
| Fitness/Health Club | 20-30% |
| Golf Resort | 20-40% |
| Heavy Manufacturing/Processing | 30-60% |
| Hospital/Medical Office Building | 20-50% |
| Hotel and Motel | 20-30% |
| Office Building | 20-40% |
| Printing Facility | 15-30% |
| Research and Development | 30-60% |
| Restaurant (single or multiple) | 20-40% |
| Parking Deck and Garage | 5-10% |
| Retail (dept./specialty store) | 20-30% |
| Self Storage Facility | 20-80% |
| Sports Facilities | 30-40% |
| Strip or Regional Mall | 5-30% |
| Supermarket | 20-30% |
| Tenant Improvements | 5-50% |
| Theater | 20-30% |
| Warehouse | 5-10% |

What about my Accountant?

Cost segregation is a highly specialized segment of tax law. The volume of judicial decisions, IRS ruling, regulations, and other interpretations spans thousands of pages of text. The challenge is to apply this complex knowledge to the unique facts of your industry, your company's circumstances, and the processes of your operation. Because our team has conducted thousands of cost segregation studies throughout the United States, we bring vast practical experience to your project. Why take unnecessary risks? A nonspecialist accountant who segregates percentages of construction costs based on invoices or other means will likely leave valuable tax benefits "on the table," and the resulting documentation may not withstand IRS examination.

We work in tandem with your CPA, whether you are served by a large international firm, a regional firm, or a local accountant, to serve your best interests and save you money.

Dean Dorton is one of the region's largest leading accounting and consulting firms composed of certified public accountants and other accomplished professionals who are dedicated to helping our clients satisfy a variety of business needs. Our clients cover a broad spectrum of organizations involved in many industries. With every client, we endeavor to become valued business advisors through building long-term relationships. In addition to satisfying needs for recurring tax compliance, accounting, and consulting services, we use our knowledge of our clients' business and our understanding of their industry to offer ideas and feedback to help them achieve their business and financial goals. From both our offices Kentucky, we provide services to our clients in Kentucky, the region, and beyond. We have developed an alliance with an engineering firm that has vast experience in performing cost segregation studies, and we are pleased to be able to provide this valuable service to our clients and other businesses in our market area.



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