



COST SEGREGATION

Our Cost Segregation service is one of three flagship services making up our Specialized Incentives.

Cost Segregation is an engineering based study that permits commercial real estate owners to reclassify real property for depreciation purposes. This reclassification results in significant cash flow benefits in both present and future years through considerably shorter depreciable tax life and accelerated depreciation methods.

What is it?

An in-depth analysis of specialized incentives for commercial property owners.

Who Qualifies?

Commercial buildings purchased, constructed or renovated in the past 20 years for over \$500,000 or with property taxes in excess of \$500,000.

How Much Savings?

Average tax savings is \$75,000 for every \$1 million purchase price or construction cost.

Commercial Property Benefit

The Commercial Property Benefit is a Federal program designed for business owners who own commercial properties, or have performed significant lease hold improvements. This program traces its roots as far back as the Tax Reform of 1986, but went through significant changes in 2004 making it more accessible for small and midsize property owners to take advantage of.

The most recent changes appeared as late as February 2009 in the American Recovery and Reinvestment Act. This is an engineered based program that focuses on the components of the building. Ninety percent of all commercial properties qualify for this program.

Commercial Property Benefit provides an opportunity to significantly reduce federal taxes and improve cash flow.

Targeted Industries

Hotels, Restaurants, Apartment/Nursing Complexes, Office/Retainer Complexes, Shopping Malls, Manufacturing Facilities, Funeral Homes, Dealerships, Golf Courses, Grocery Stores and Medical Facilities.

Items Typically Reclassified

Site improvements (landscaping/parking etc.) • light fixtures • branch wiring • special plumbing • flooring • millwork • electrical • partition walls • cabinetry • furnishings • shelving • wall coverings.

Minimum Requirements

A Commercial Property that: • Was purchased or built within the last 20 years, with \$500K or more in cost • OR, has renovations/improvements within the last 20 years of \$250K or more in cost • AND, has paid federal taxes within the last 3 years, or plans to in current year sales process.

GMG Partnership

Smarttax has partnered with Growth Management Group (GMG) to deliver specialized tax incentives. GMG believes wholeheartedly in building Strategic Partnerships and actively reaching out to industries and organizations that would benefit from such a partnership.



Benefits for Owners

- ⇒ Increase cash flow.
- ⇒ Minimizes taxes.
- ⇒ Catch-up Benefit (no amending returns)
- ⇒ Free-up Money for Investments

Commercial Property Benefit

Cost Segregation is our quickest turnaround service for specialized tax incentives. The normal turn around for a Cost Segregation Study is 4-6 weeks, this timeline is dependent upon the client's participation. The average savings for this service is \$75K per every \$1M in purchase / renovation costs. The client is normally charged and pays in two separate invoices.

After the client is engaged, and a benefit has been verified our staff performs a feasibility analysis that will determine a benefit. Once this feasibility analysis has been completed is the moment that client realizes their benefit. At that time, the client is invoiced for the initial payment

After payment is received, we continue with additional research and documentation to complete an audit defense report compilation. During this period the client is sent an Executive Summary of the final and full report. This is when the client is invoiced for payment two. The client does not need the full and final report to capture the benefit. The CPA is provided the preliminary information they need to plan/file on behalf of the client with the feasibility analysis and executive summary.

Fee Schedule

Smarttax (via GMG) agrees to complete the GMG Incentive Analysis at **no cost to the client**. If analysis demonstrates sufficient

Client Roster Includes



benefit to the client, GMG procurement fees will be charged on a per project or hourly basis in accordance with Circular 230. Procurement fees not to exceed ten (10) percent for Cost Segregation, thirty-five (35) percent for Research & Development Credits, fifteen (15) percent plus access fee for Hiring-based Incentives, and fifty (50) percent for Property Tax Mitigation.

GMG Audit Guarantee

Smarttax works with GMG to provide the tax savings benefits. If at anytime GMG's work, methodologies or calculations are challenged or scrutinized by the IRS, GMG will offer the defense support necessary to explain or illustrate their findings. GMG follows strict IRS Guidelines, revenue rulings and case law. To date, GMG has had had zero disallowances. GMG also has engineering studies in all 50 states serving clients in multiple disciplines including: *Cost Segregation, Research & Development Credits and Property Tax Appeals.*



Project Step-by-Step

