

COST SEGREGATION FOR LONG-TERM CARE & SENIOR LIVING PROVIDERS

experience **insight** // For operators in the long-term care and senior living industries, perhaps the largest capital expenditures are in real estate. You want to recover your investment as quickly as possible. **BKD can help.** Our cost segregation consultants can help you accelerate real estate depreciation deductions, deferring income tax and increasing cash flow. Add a personal, highly interactive and attentive service style, and you'll begin to understand how **our insight creates value.**



WHAT IS COST SEGREGATION?

A cost segregation study identifies assets embedded in a building's construction or acquisition costs that can be depreciated for tax over five, seven or 15 years—rather than the standard 27.5 or 39 years. The costs associated with these assets are then reclassified, allowing the building owner to accelerate depreciation of the property for tax purposes.

HOW CAN LONG-TERM CARE AND SENIOR LIVING OPERATORS BENEFIT?

For-profit long-term care and senior living operators that have purchased, improved or expanded real estate in the last 15 years may qualify for a cost segregation study. In general, buildings costing more than \$1 million or building improvements costing more than \$500,000 are good candidates.

A cost segregation study may uncover tax savings for:

- Newly constructed buildings
- The purchase of existing buildings
- Renovations and expansions
- Any of the above during the last 15 years

BENEFITS FROM PRIOR YEARS

Under current IRS rules, you can perform a cost segregation study on a building that was placed in service during a prior year and "catch up" the additional depreciation amount to which you were entitled. Amended returns are not required, so it doesn't matter if the statute of limitations has closed for the year the property was placed in service.

WHY CHOOSE BKD?

BKD National Health Care Group works with approximately 1,600 long-term care and senior living providers nationwide. We also are one of the largest cost segregation providers in the country. Our dedicated team of cost segregation engineers and tax professionals help health care providers realize millions in present-value tax benefits* every year. In addition to our clients, more than 150 other CPA firms put their trust in the BKD cost segregation team and outsource this work to us.

**Based on 35% federal income tax rate and 10% discount rate.*

1600 CLIENTS 

Experience **guidance** from a firm whose health care advisors work with approximately 1,600 long-term care and senior living providers.

COST SEGREGATION RESULTS

ASSISTED LIVING FACILITY CONSTRUCTION //

For this newly constructed 93,000-square-foot, 150-bed assisted living facility costing \$19 million, BKD's engineers were able to identify 41 percent of the building's construction cost as shorter life depreciable property, resulting in a present-value tax benefit* of more than \$2 million.

ASSISTED LIVING FACILITY PURCHASE // For this \$9.7 million purchase of a 59,000-square-foot assisted living facility, BKD's engineers identified 24 percent of the building purchase as shorter life depreciable property, resulting in a present-value tax benefit* of \$260,000.

SKILLED NURSING FACILITY PURCHASE //

For this \$5.2 million purchase, BKD's engineers identified 21 percent of the building purchase price as shorter life depreciable property, resulting in a present-value tax benefit* of \$134,000.

SKILLED NURSING ADDITION // For this \$4.2 million, 28,000-square-foot addition to an existing skilled nursing facility, BKD's engineers identified 24 percent of the construction cost as shorter life depreciable property, resulting in a present-value tax benefit* of \$140,000.

**Based on 35% federal income tax rate and 10% discount rate.*

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