

# experience insight

## REAL ESTATE COST SEGREGATION RESULTS

Your company's real estate holdings are a big capital investment, and an engineering-based real estate cost segregation study may provide significant tax savings. **BKD can help.** Our cost segregation consultants can help you accelerate real estate tax deductions, defer income taxes and increase cash flow. **Experience insight** with our technical expertise, subject matter knowledge and extensive resources that can provide value. The following sampling of completed engagements shows how the BKD cost segregation team has improved financial return on real property through cost segregation studies.

*As the largest U.S. member of Praxity, AISBL, a global alliance of independent firms, you'll **experience reach** from more than 25,000 personnel serving clients in more than 80 countries.*



**Restaurant** – For this \$1.3 million new construction project, the BKD team successfully classified 19 percent of the construction costs as personal property and 15 percent as site improvements, resulting in a present value benefit of more than \$145,000 (13 times our fee).

**Hotel** – For this hotel new construction project, BKD's cost segregation team examined a \$7.8 million project, classifying 10 percent of the cost as personal property and another 12 percent as site improvements. The present value benefit totaled \$320,000 (44 times our fee).

**Shopping Center Purchase** – For this \$5.1 million purchase, BKD carved out 12 percent of construction costs as personal property and 14 percent as site improvements, resulting in a present value benefit of \$187,000 (20 times our fee).

**Bank Branch** – In this \$2.5 million new construction project, we were able to classify 19 percent of costs as personal property and 31 percent as site improvements, resulting in a present value benefit of nearly \$436,000 (51 times our fee).

**Grocery Store Addition** – For this \$2.5 million construction project, BKD classified 36 percent of the project costs as personal property and 7 percent as site improvements, resulting in a present value benefit of \$227,000\* (50 times our fee).

### BKD'S ENGINEERING-BASED APPROACH TO COST SEGREGATION

BKD's dedicated team of engineers and tax professionals has more than 100 years of combined cost segregation experience and performs hundreds of successful studies every year for clients across the nation. BKD has developed a process for completing cost segregation studies that employs engineering and cost estimating procedures. Our work is recognized by the IRS in its rulings and by the court system.

A complete "audit trail" traces derived unit costs from contract documents and other source data. Your property is reclassified into shorter-life classes based on applicable tax authorities. During the cost segregation study, we perform the following procedures:

- Physically inspecting the property
- Examining architectural and engineering drawings and specifications for potential asset reclassification
- Analyzing cost data, including the contractor's application for payments, change orders, owner-incurred costs and indirect disbursements
- Preparing an itemized list of property units qualifying for shorter-life classification
- Apportioning direct labor, material components and indirect costs based on engineering drawings and specifications
- Reconciling total costs per engineering analysis to capitalized project costs

**Office Building Purchase** – For this \$10.5 million purchase, BKD engineers successfully classified 10 percent of the purchase cost as personal property and 6 percent as site improvements, resulting in a present value benefit of \$258,000 (17 times our fee).

**Hospital Construction** – For this \$64 million project, BKD's cost segregation team classified 32 percent of construction costs as personal property and 5 percent as site improvements, resulting in a present value benefit of \$4.2 million (114 times our fee).

**Apartment Construction** – For this \$22.4 million project, the BKD team successfully classified 13 percent of the cost as personal property and 13 percent as site improvements, resulting in a present value benefit of nearly \$677,000 (61 times our fee).

**Retail Property** - For this \$2.7 million purchase, BKD classified 11 percent of the cost as personal property and 20 percent as site improvements, resulting in a present value benefit of \$88,000 (12 times our fee).

\* Benefits based on bonus depreciation.

### For More Information

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