

Case Study – Distribution / Retail

PROJECT OVERVIEW

An **engineering-based cost segregation study** was conducted for a newly constructed clothing distribution center and retail outlet located in the southern United States. The study's objective was to identify property components that could be reclassified to shorter recovery periods in order to accelerate building depreciation and increase cash flow by deferring income taxes.

PROPERTY PROFILE

The Building	This new one-story building consists of 20,150 square feet divided into office, warehouse and retail outlet space
Cost Basis	The property has a cost basis of \$969,148 and was acquired and placed in service in 2005

ENGINEERING PROCESS

Our construction engineers performed:

- a complete analysis of all available
 - construction drawings
 - specifications
 - contractor payment applications
 - invoices
 - other supporting documentation
- a detailed analysis of all accumulated data on a property unit basis for cost allocation purposes under the provisions of the Internal Revenue Code
- an on-site inspection to verify, photograph, and document the property
- a quality check where our internal audit team of senior construction engineers and tax specialists reviewed and certified its completeness and accuracy

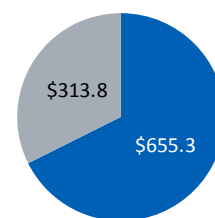
PROJECT RESULTS

As a result of this Engineering-based Segregation Study the client was able to reallocate \$313,767 or 32.4% of the assets to shorter recovery periods. The client's tax savings on a present value basis were projected to be a total of \$60,233, with the first-year tax savings alone totaling \$17,506.

Initial Cost Basis



Post-Cost Segregation

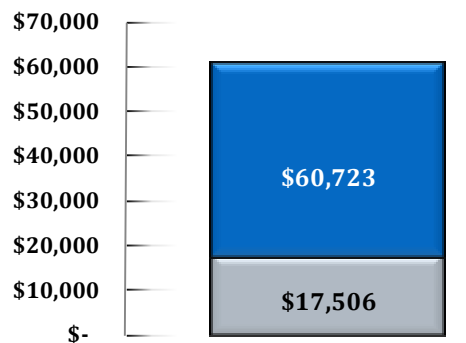


In 000's

■ Base Costs

■ Reallocated Costs

Tax Savings



■ Total Savings - Present Value (including first year savings)
 ■ First-Year Savings