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Newsletter

E-mail dutch@brrinc.org if you would like to receive notices of new newsletters.

COST SEGREGATION

The topic of "cost segregation" has come up again. A client of ours was recently contacted by Cost Segregation Services Inc. I have not met with anyone from this company, therefore have no opinion one way or the other on their services.

Cost Segregation Services Inc
1200 Fried St
Gretna LA 70053
(504) 232-6060

www.costsegserve.com

In a nutshell, this is how it works:

1. If you are building a new building, purchased an existing building, or remodeling an existing building, then you can use cost segregation.
2. Let's say that you have some frying equipment in the kitchen that runs on 220V electrical current.
3. You can add up the cost of the wires running through the walls, the cost of the walls that are there only to lead the wire C can claim are there for the sole purpose of the frying equipment.
4. If you go around the building and do this for all the equipment, you can perhaps take \$100,000 of the building and reclassify it as part of the cost of the equipment.
5. That means instead of depreciating that amount over 31 years, you can write it all off right now or over the next five years.
6. HERE'S THE CATCH!
 - a. You are not allowed to figure this.
 - b. I am not allowed to figure it for you.
 - c. You have to pay a special engineer to do it for us.
7. That costs a lot of money, hundreds or thousands of dollars.
8. But you can speed up the depreciation and get more than that in tax reductions.
9. I personally do not like cost segregation because as good as it might be, the U.S. Congress has created a situation where you now have to purchase your tax deductions.

10. I also do not like it because too often we are focused on taxes and not on improving the business.
11. **If you are building a new building, then you should definitely consider hiring a company to prepare a cost segregation report.**
12. You should think about it if you are doing a major remodeling or are installing expensive and large equipment.
13. Just because I don't like that Congress now offers tax deductions for sale, more or less, that does not mean that you should not look into it.

Dutch Hawkins
Business Resources & Reports.