

DESIGN - AIRE ENGINEERING, INC

220 North College Avenue, Indianapolis, Indiana 46202-3702

Phone 317/464-9090 FAX 317/464-9393

Email: dae@design-aire.com

Web: www.design-aire.com

COST SEGREGATION STUDY SOLUTIONS

SUMMARY

Design-Aire can assist you in evaluating and documenting the potential tax savings at your facility through a segregation study. DAE utilizes an engineering-based approach to cost segregation studies from the expertise of our professionals in engineering, accounting, and cost segregation.

Cost Segregation is the process of identifying and separating the elements of a building into asset classes for greater tax depreciation benefits. This strategic tax planning tool allows you to increase cash flow and accelerate your federal and state income tax depreciation deductions on facilities you have purchased, constructed, expanded, or remodeled including landlord or tenant improvements.

A Segregation Study identifies building systems provided solely for the purpose of producing a product, that qualify for shorter depreciable lives. Many costs that were originally classified in commercial real property categories, with a depreciable life of 27.5 or 39 years, can be reclassified into personal property or land improvement categories with shorter depreciable lives of 5, 7, or 15 years. Similarly sales tax is not paid on the portion of utility bills needed to produce a product. Design-Aire identifies that portion. This accelerated depreciation reduces taxes and increases cash flow.

Cost Segregation Studies benefit new construction, building acquisitions, and renovations to existing property, including leasehold improvements by lessor or lessee and improvements by an owner or occupant.

For over 28 years, Design-Aire Engineering has focused on helping facilities improve their efficiency by reducing energy costs and tax burden. We would welcome the opportunity to assist you with your project.

Questions and Answers

What is Cost Segregation?

Cost Segregation is the process of identifying and separating the elements of a building into asset classes for greater tax depreciation benefits.

What are the Cost Segregation Benefits?

- Reduce Federal Income Taxes
- Increase Cash Flow
- Increase Net Income
- Maximize Depreciation

What type of properties are benefitting from Cost Segregation Studies?

Office Buildings, Retail Stores & Shopping Centers, Apartment Complexes, Hospitals, Medical, & Dental Facilities, Restaurants, Auto Dealerships, Banks & Financial Institutions, Hotels & Resorts, Manufacturing Plants, R & D Facilities, and Distribution Warehouses to name a few.

Who benefits From these studies?

As an Owner or Client, you benefit by utilizing the tax deduction. Our engineering reports will show a definitive audit trail supporting the classification of assets. You will benefit financially, since it allows your property to be depreciated over a faster recovery period, thereby offering higher tax deduction today.

As a CPA, you benefit by utilizing our engineering reports as a crucial element in your client's cost segregation study, plus a definitive audit trail supporting the classification of assets. Your clients will benefit financially, since it allows their property to be depreciated over a faster recovery period, thereby offering higher tax deduction today.

What Is Involved in A Cost Segregation Study?

A Cost Segregation Study involves several steps. Outlined below are a brief summary of the general procedures that we follow:

- A thorough examination of architectural/engineering drawings and specifications to determine which assets are available for accelerated cost recovery.
- An on-site visit and inspection of the commercial real estate property.
- Discussions with you, your CPA, and other key people about the occupation and function of the property and related equipment.

HEATING ● AIR-CONDITIONING ● PLUMBING ● ELECTRICAL ● ENERGY

What is required to complete a Cost Segregation Study?

- Blueprints and Specifications of the project whether purchased, constructed or remodeled.
- Settlement and Appraisal paperwork for purchased or acquired real estate.
- Cost Segregation Engineering's Pre-Engagement Information Sheet filled out with the project's complete address including zip code and driving directions and map.
- The reconciliation of the project costs or basis. We review this document to make sure all items are in the proper construction division. It is important that our figures relate back to your figures.

I represent a CPA Firm, how do you make my job easier?

DAE will be the bridge between accounting and construction/engineering disciplines, thus creating efficient results for you. We do this by creating engineering reports for cost segregation studies in support of CPA's like yourself.

As a CPA, I am already providing cost segregation studies for my clients. How can you help?

We can provide the field work necessary to quantify systems eligible for accelerated depreciation and that portion of the utility bill where sales tax does not apply.

If you have questions or comments, or wish to obtain more information, please contact:

Mr. E.W. Bob Boulware, P.E., M.B.A.

Design-Aire Engineering, Inc.

A Professional Engineering Firm

Indianapolis, Indiana 46202

office 317-464-9090 toll free 866-515-9090 fax 317-464-9393

email bboulware@design-aire.com web www.design-aire.com

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