Tax Reductions through Cost Segregation, Not Tax Shelters

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Tax reductions and tax deductions are both benefits of cost segregation. However, it would be inaccurate to term cost segregation a tax shelter. The IRS has written a manual titled Audit Techniques Guide that delineates methods to establish depreciation schedules and increase tax reductions.

Tax shelter is a moniker that implies a scheme designed to avoid taxes. Some tax shelters were legal and some were clearly illegal. Most of the tax shelters focused exclusively on tax benefits and did not have an economic basis. There is no IRS documentation defining proper methods for implementation of tax shelters.

Tax shelters included activity with the purchase and sale of stock, cattle, real estate (typically high leveraged) and oil and gas. These tax shelters often involved economic activity with a questionable or inaccurate interpretation of the law. In some cases, they involved a questionable economic activity with an accurate interpretation of the law. In other cases, there was no meaningful economic activity associated with the tax shelter.

Cost segregation is simply an IRS-governed method of accurately depreciating real estate and identifying tax reductions. There is no separate economic activity. The tax reductions and tax benefits resulting from cost segregation are substantial. Commercial real estate investors and owners of corporate real estate are amazed at the tax reductions it affords. The IRSâ€™s Audit Technique Guide provides a safe harbor for using cost segregation for real estate to increase tax reductions.

Cost segregation produces tax deductions and reduces federal income taxes across the country and in every size market. Below are just a few examples of where cost segregation generates meaningful tax reductions.

City:

Philadelphia, PA; Hartford, CT ; New York, NY ; Orlando, FL ; Baltimore, MD ; Tampa, FL ; San Francisco, CA; Miami, FL

Washington, DC ; Houston, TX ; Albany, NY ; Dayton, OH ; Charlotte, NC; Des Moines, IA ; Harrisburg, PA ; Ft. Lauderdale, FL; Augusta, GA; Stockton, CA; Riverside, CA ; Minneapolis-St. Paul, MN ; Manchester, NH ; Sacramento, CA ; Charleston, SC ; McAllen, TX ; Syracuse, NY ; St. Louis, MO ; Jacksonville, TN; Omaha, NE ; Madison, WI; Indianapolis, IN ;

Cost segregation produces tax deductions for virtually all property types.

Property Type:

Car wash facility , Medical facility , Skating rink , Community shopping center , Funeral home , Truck terminal , Motel , Regional mall , Nursing home , and Racket club.

Almost every industry, including the following, can generate cost-efficient tax deductions by using cost segregation.

Industry:

Warehousing and storage , Arts, Entertainment, and Recreation , Amusement parks , Day care facilities , Laundry facilities , Electrical component manufacturing , Automotive parts distributors , Beverage and tobacco product manufacturing , Leather product manufacturing and Transportation equipment manufacturing.

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Oâ€™Connor & Associates is a national provider of commercial real estate consulting services including a cost segregation, due diligence, a federal tax reduction, renovation upgrading cost analyses, tax return review and apartment inspections.

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