



NOVOGRADAC  
& COMPANY LLP®  
CERTIFIED PUBLIC ACCOUNTANTS

# COST SEGREGATION

Specialists dedicated to substantiating, reconciling and ensuring accurate project component cost segregation that results in significant tax benefits for clients.



Knowledge • Experience • Service

## Specialized knowledge about cost segregation

Property, whether acquired or constructed, often consists of a number of asset types with different recovery periods. This requires that the property be separated into individual components or asset groups and assigned the correct recovery periods and placed-in-service dates in order to properly compute depreciation. Novogradac & Company LLP professionals excel in classifying assets, analyzing their components, and evaluating costs and cost-estimating techniques that segregate or allocate

costs to individual components of a property. Our team of cost allocation specialists is dedicated to providing cost segregation studies that result in significant tax benefits derived from using shorter recovery periods and accelerated depreciation methods for computing depreciation deductions. Our goal is to substantiate the cost basis of each asset, reconcile total allocated costs to total actual costs and ensure that property costs are correct and total project costs among components are classified properly.

## Expert services

Novogradac & Company LLP's has extensive experience in preparing accurate and well-documented cost segregation studies. A sample of our services includes:

- documentation necessary to classify assets into applicable income tax property classes and recovery periods under the IRS Modified Accelerated Cost Recovery System (MACRS)
- an inspection of the property, including walk-throughs
- a review of the final purchaser closing statements
- a review of the draw requests and contractor agreements
- a review of all change orders and subcontractor agreements
- a review of appraisal reports prior to and subsequent to construction of the assets for any land or other asset valuations
- a determination of replacement costs of the assets
- an allocation of soft costs between asset classes
- the preparation of a report with reasonable and conservative basis for asset classes
- the preparation of an asset classification summary with recovery lives for depreciation deductions

- consideration of impact of the Tangible Property Regulations
- a review of land vs. building vs. land improvement classification with regard to items such as:
  - *rough vs. fine grading*
  - *excavation and backfilling*
  - *sewer systems*
  - *environmental clean-up*

## Recovery Period Substantiation

- determining movability
- determining possible difficulty in moving
- determining permanency of design
- establishing any possible circumstances that would support the expected length of affixation
- ascertaining the potential for property damage when moved
- determining if the property is affixed to the land

## Novogradac & Company LLP's Cost Segregation Specialists



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