

A Strategic Approach for Business Owners

Cost segregation is an advanced tax planning strategy to help business property owners maximize depreciation deductions. It reduces taxable income and boosts cash flow.

Here's how cost segregation works and why it's worth considering for your business.

What Is Cost Segregation?

A cost segregation study involves analyzing your business property to classify its components for accelerated depreciation. An expert will identify and reclassify elements such as:

- Electrical systems,
- Plumbing systems, and
- Removable carpeting.

This process allows these components to be deducted over shorter periods instead of the standard depreciation timeline. The courts have consistently validated the methodology, making it a trusted tax-saving tool.

Understanding Depreciation Basics

Business property typically depreciates over 39 years, encompassing structural elements like walls, HVAC systems, plumbing, and wiring. However, personal property such as furniture, equipment, and fixtures can benefit from accelerated depreciation over shorter periods — usually 5 or 7 years.

Commonly Overlooked Opportunities:

- Removable partitions and wall coverings,
- Awnings and canopies, and
- Window treatments and signage.

These items may qualify for accelerated depreciation, offering significant tax savings if adequately allocated.

Outdoor Elements: An Overlooked Savings Opportunity

Outdoor features, like lighting and landscaping, can also provide tax benefits when correctly categorized.

Here's how:

- **Capital Improvements:** Projects like upgrading outdoor lighting for security or improving landscaping for environmental benefits fall under the [15-year depreciation rule](#) and may qualify as deductible expenses.
- **Routine Maintenance:** Lawn mowing and watering expenses are deductible as regular business expenses.

Carefully distinguishing between improvements and maintenance is critical to maximizing deductions.

The Role of a Cost Segregation Study

A cost segregation study blends engineering expertise with tax accounting to identify costs that can be reclassified as [tangible personal property](#). This process can:

- Accelerate depreciation on qualifying items,
- Reduce overall tax liabilities, and
- Improve cash flow.

With recent tax law changes, these benefits have become even more impactful, offering enhanced [tax breaks for depreciation](#).

Is a Cost Segregation Study Worth It?

While cost segregation studies come with an upfront cost, the long-term benefits often outweigh the investment, such as:

- Substantial tax savings over time,
- Improved cash flow for reinvestment in your business, and
- Greater compliance with tax regulations.

Take the Next Step

Explore whether a cost segregation study could benefit your business. Our team is ready to guide you through the process and help you uncover potential tax savings. [Contact us today](#) for a consultation.