

CARLIN WARD

ATTORNEYS AT LAW

A PROFESSIONAL CORPORATION

and

A.G. Edwards & Sons, Inc.

present

A Very Important Breakfast

March 3, 2004

COST SEGREGATION OUTLINE

Charles E. Falk, Esq.

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1. Cost Segregation is *not* a tax gimmick or tax shelter. It is a virtually riskless tax strategy that has been approved by the Internal Revenue Service;
2. Cost Segregation can be applied to new construction and improvements, new acquisitions of existing structures, and prior acquisitions of structures going back as far as 1993;

3. If the Cost Segregation Study concerns a previously acquired structure after 1993, the entire benefit can be taken in year of the study, and, as currently allowed, with the automatic permission of the Internal Revenue Service;
4. The critical aspect of all Cost Segregation studies is the quality of the study. It is of utmost importance that the study be conducted by a firm that is experienced in doing cost segregation studies;
5. The magnitude of the potential increased cash flow from a Cost Segregation study cannot be underestimated. For example, if \$1,000,000 of 39 year property is reclassified as 5 year property, the first year depreciation deduction, assuming 50% bonus depreciation and section 179 expensing allowance, can increase from approximately \$25,000 to \$650,000.



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