

PROJECT PROFILE

TAXES SAVED: \$660,000

LIMITED SERVICE HOTEL

Engagement Overview:

RSH was engaged by the owner of a limited service hotel to conduct a Cost Segregation Study on their facility. The objective was to identify assets that could be moved to a shorter depreciation schedule and save the client taxes.

Property Overview:

This 3 story hotel facility and conference center was completed for a total development cost of \$10,800,000. The property was awarded the national award of Best of the Best by the chain. As such, the property possesses extensive upgrades and high end amenities. Note: The CPA had previously allocated assets of \$3,088,000 to shorter lives and was very skeptical that RSH would be able to improve on those allocations.



Engineering Process:

Our engineers examined all design and construction documents, contractor payment applications and other related data to determine the cost basis for every component in the building. Next, our engineer conducted an on-site inspection to identify and photographed all assets eligible for accelerated depreciation. Our team (on-site engineer, senior engineer, and tax specialist) reviewed the cost segregation study and certified its completeness and accuracy.

Estimate of Benefits & Savings:

The pre-engagement estimate we provided to the client showed a potential of \$5,250,000 in assets that could be scheduled to shorter depreciable lives.

Results:

The RSH Group reallocated an additional \$2,593,000 more than the CPA's original allocation or an additional 23.9 % of the assets to shorter depreciable lives. In total, the study resulted in \$5,682,000 (52 % of the assets) being reallocated to 5, 7, or 15 year property. As a result, the property owner will save \$660,000 in tax payments during the next 10 years.

Owner's Quote:

"The outcome of the RSH work was fabulous, way beyond my expectations. I always thought that my CPA was aggressive with our depreciation, yet even they were impressed. Our CPA firm said that the scope, accuracy and detail of the study are excellent."

"RSH people are very professional, knowledgeable, courteous and first class. They provided a quality result at a great value."