

PROJECT PROFILE

TAXES SAVED: \$821,000*

AUTO AUCTION

Engagement Overview:

RSH was engaged by a development firm to conduct a Cost Segregation Study of an existing auto auction facility. The objective was to identify assets that could be moved to shorter recovery periods in order to accelerate depreciation and defer taxes.

Property Overview:

This auto auction facility was placed into service in October 2002 with a total depreciable cost basis of \$7.5 million. The building has a total interior space of 62,400 square feet.



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 engineers conducted an on-site inspection to identify and photograph 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 firm showed a potential reallocation of \$1.65 million to shorter depreciable lives. Further the estimate projected a tax savings of \$472,000.

Results:

Our study resulted in a total of \$2.47 million of the assets being rescheduled to shorter depreciable lives. As a result, the property owner will save \$821,000 in taxes (Net Present Value over the next 10 years)10-years.

* represents the 10-yr. net present value savings – using an 8% discount rate.