



A Road Map to Driving Value

Crowe Cost Segregation Services

For companies with significant capital expenditures, identifying assets and their costs correctly is essential in optimizing their depreciation deductions. Accelerated or increased cash flow through deferred or reduced tax liability can significantly increase your return on investment in the property. However, reaching this goal is not easy. The Crowe cost segregation services team helps organizations classify costs appropriately with a road map that repeatedly leads to deferring or minimizing taxes.

Road Map to Minimizing Taxes

Covering the Basics

Cost segregation is the process of identifying the appropriate tax classifications of expenditures embedded in significant capital projects, such as facilities constructed, purchased, or renovated in current or prior years.

By segregating the cost of short-life tax assets (for example, five years) embedded within long-life buildings (for example, 39 years), commercial real estate owners can shift tax deductions from distant years to the near term – and defer or reduce taxable income – by accelerating tax depreciation.

How Crowe Helped a National Hospitality Company

Crowe completed a cost segregation study on a new, multimillion-dollar hotel and conference center. The study classified more than 25 percent of the total project cost as personal property or land improvements, resulting in a net present value benefit of approximately \$2 million.

Since 2000, our dedicated team of professionals has completed more than 1,000 cost segregation studies on billions of dollars in capital expenditures across most industries – from family-owned businesses to middle-market companies, as well as Fortune 500 companies. Our cost segregation studies are defensible. Crowe services don't end there, however. Our services are not finished until the cost segregation results have been implemented into your fixed asset accounting system.¹

And then there is our technology.

The Right Tools

Crowe uses proprietary technology to perform high-quality studies that meet or exceed IRS standards. Over the past decade, we have invested heavily in developing tools that make the identification process more effective, as well as in a more comprehensive solution for our clients.

It starts with our CiRT® (Crowe Information Request Tracker) solution for streamlined project management. This secure, internet-based document-sharing tool can be accessed at any time to monitor the progress, ask questions, review requests, track tasks, upload information, and delegate responsibilities. This

platform enhances the experience for our clients by enabling better communication, minimizing disruptions, saving time, and reducing administrative burden. The CiRT solution's dashboard allows for easy navigation and transparency. In addition, the tool has the capacity to hold large PDF construction drawings, which are an important component of our studies.

Once the project documents have been uploaded into the CiRT database, what you may not see is how we have leveraged technology to improve our segregation process – minimizing risks, increasing accuracy, and making your experience better.

Two important elements in cost segregation are the analysis of the facility through the construction drawings and estimation the cost of various segregatable items through a process called “quantity takeoffs.” Traditionally, these tasks were completed manually. Architects sent hard copies of the construction drawings while cost segregation providers would manually enter data from blueprints into spreadsheets, increasing the possibility of errors with the data. Crowe has developed a Microsoft® Excel-based technology “bridge” which allows the data from our on-screen analysis of the blueprints and cost estimation to flow directly into our report-writing platform.

In the delivery phase of our review process, our audit workbook tool has also improved the utility of the cost segregation study. Using this tool, a third-party reviewer can easily view the results and verify fixed asset system records with the source documentation with only a few clicks. Without our tool, this can be difficult, as the cost data is not otherwise clearly trackable through the study. Our audit workbook platform helps reduce the time and money spent by all parties on the review process.



How Crowe Helped an International Manufacturing Company

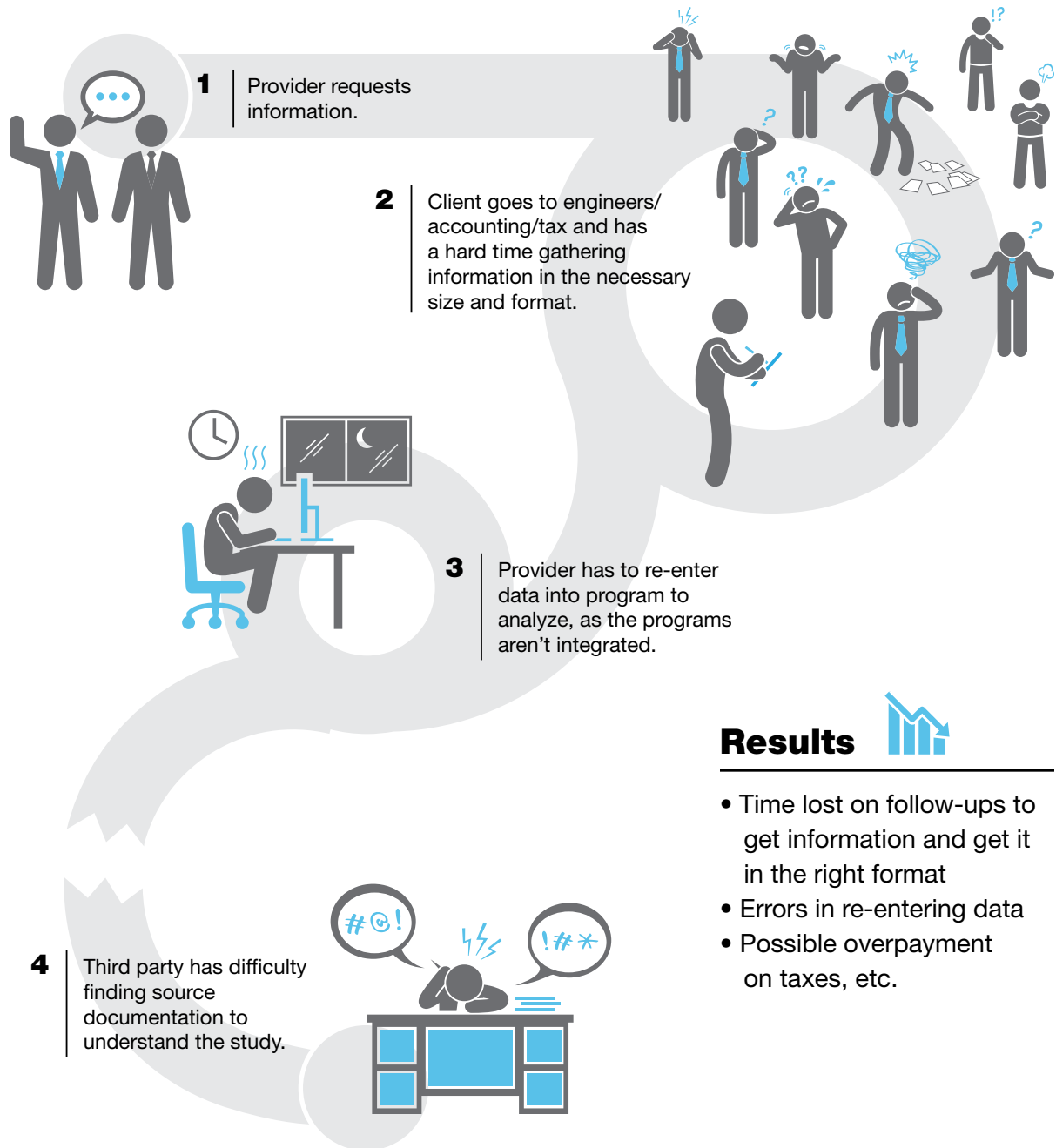
A company spent more than \$100 million to update one of its primary U.S. manufacturing facilities. Our comprehensive cost segregation analysis, which included identifying disposition losses, deductible design expenditures, and energy efficiency incentives under Internal Revenue Code Section 179D, identified a net present value benefit projection in excess of \$9 million. In addition to the federal tax benefits, Crowe was able to identify property tax and sales tax benefits, resulting in additional value to the client.

How Crowe Helped a National Retail Company

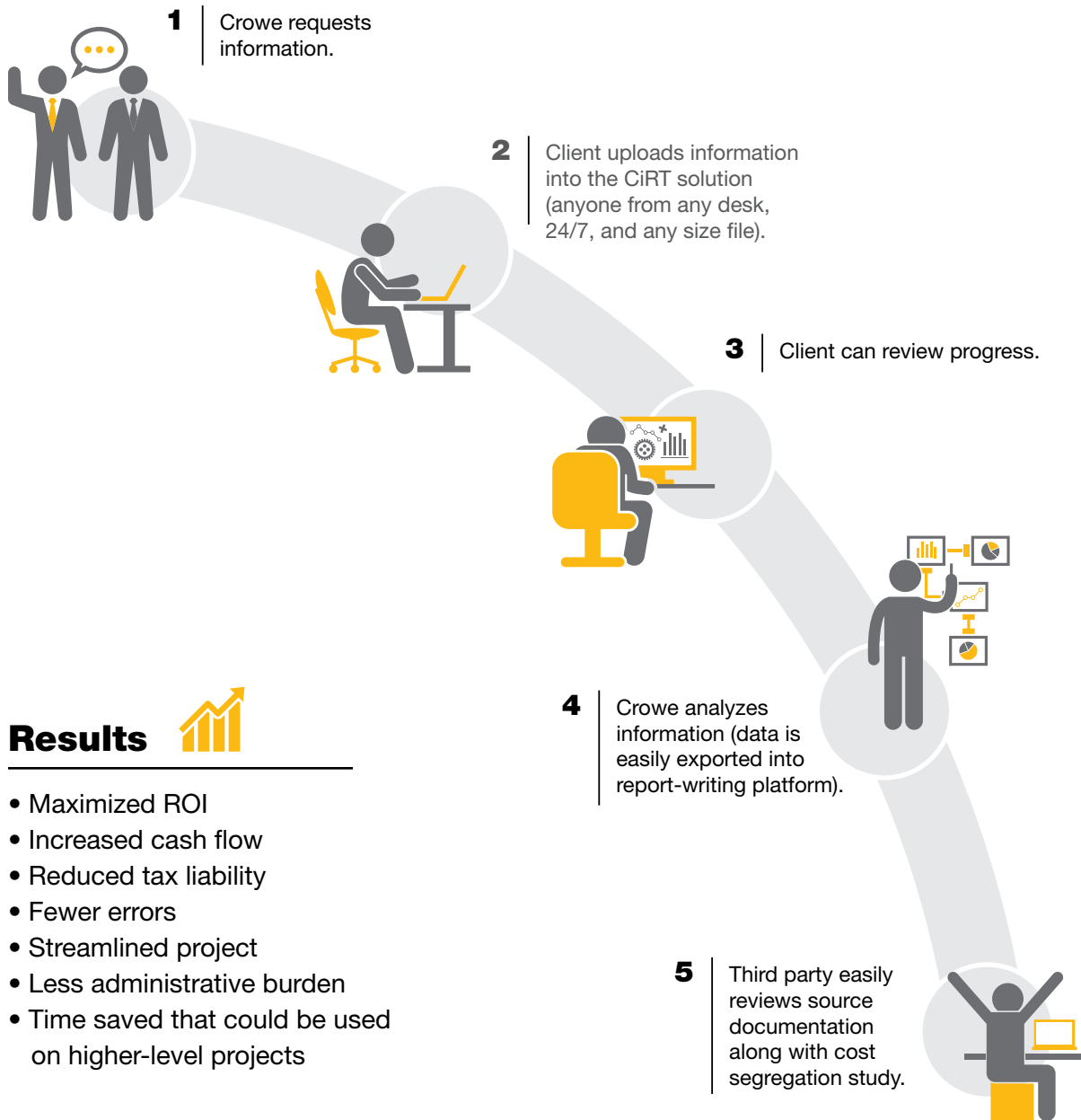
Crowe performed cost segregation studies for more than 200 properties for a national retailer. These studies included new construction as well as renovation and have generated hundreds of millions of dollars in net present value benefits for this client.

The Road Map to Value

Traditional Cost Segregation Study Process



Crowe Cost Segregation Study Process



Results

- Maximized ROI
- Increased cash flow
- Reduced tax liability
- Fewer errors
- Streamlined project
- Less administrative burden
- Time saved that could be used on higher-level projects



Learn More

For more information about the benefits of Crowe cost segregation and other federal tax services, contact:

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¹ Based on the terms agreed upon in each engagement letter

About Crowe

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