

# PROJECT PROFILE

## TAXES SAVED: \$1,845,000\*

### APARTMENT COMPLEX

#### Engagement Overview:

RSH was engaged by a development firm to conduct a Cost Segregation Study of a recently constructed apartment complex. 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 apartment complex was built and placed into service in April, 2004 with a total depreciable cost basis of \$24.6 million. The building consists of 225,800 square feet of residential apartments on 12 acres of land.

#### 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 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 \$6,150,000 or 25% to shorter recovery periods. The projected tax benefit was \$861,000 in first year savings with \$1,230,000 in Net Present Value tax savings over the next 10 years.

#### Results:

Our study resulted in a total of \$8,610,000 or 35% being rescheduled to 5 and 15-year property. As a result, the property owner will save \$1,107,000 in first year tax payments and realize over \$1,845,000 in 10-year Net Present Value tax savings.

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