



## HOTELS AND COST SEGREGATION: A TAX SAVINGS OPPORTUNITY



Improving Cash Flow and Sharing a Smaller Amount with the IRS

Our clients' confidentiality is of utmost importance to us! Our case studies are examples of actual companies that utilized Capital Discovery® to improve their financial health.

### Case Study

An East Coast hotel had some choices to make. The owners of the hotel saw it growing and prospering and the ability to funnel cash back into the hotel as well as generate some real income was there, but there was also a good friend knocking at the proverbial door: the IRS. The IRS, of course, wanted their piece of the success and the hotel and its owners wanted to share, just not the amount that the IRS was asking for.

### Challenges

- Continuing to provide the best rooms and amenities in their segment of the hotel market.
- Eliminating tax burden and ensuring the short-term and long-term growth of the hotel and the personal portfolios of the owners.
- Utilizing tax opportunities through the assets that are currently owned without have to spend a huge part of excess cash on additional assets.

### Solutions & Capital Discovery®

A cost segregation study on the hotel allows for traditionally 39-year property (written off over 39 years) to be reclassified to either 5-year, 7-year or 15-year property based on a detailed, engineering-based analysis of the blueprints and asset usages. Certain parts of the hotel actually can be depreciated much faster based on IRS guidelines. The IRS has issued an Audit Technique Guide (ATG) for IRS field agents and this guide spells out the process of a properly conducted cost segregation analysis. CRG follows this guide word for word. With hundreds of studies done over the years, not one has even been challenged by the IRS.

**Based on the cost of the hotel and the improvements that were done, the hotel owners were able to reclassify 29% of the hotel assets to short-lived assets and saved approximately \$700,000 in taxes over a 5-year period.**

Utilizing these deductions enabled the owners of the hotel to sleep very well, knowing they shared with Uncle Sam, but still kept a huge portion of their money at home.

