



CASE STUDY: CASH FLOW THROUGH TAX SAVINGS

MANUFACTURING COMPANY SAVES **\$2.2M** THROUGH COST SEGREGATION

Asking the Hard Questions

A successful manufacturing company being taxed in the highest marginal tax bracket wanted to decrease their tax liability. Among their \$60M of assets were five buildings with a tax basis of greater than \$20M constructed over the prior seven years. How could this company reduce their tax liability? What portion of the assets could be depreciated over a faster period?

Giving Honest Answers

As these buildings were all being wholly depreciated via straight-line depreciation over 39 years, we identified a cost segregation study as an avenue for significant tax savings. During our detailed analysis, we identified many assets that would be more accurately classified as depreciable over 5, 7, or 15 years rather than the 39 years currently being used. We also performed a thorough evaluation of the company's entire fixed asset listing (over 2,000 assets) to verify appropriate classifications and depreciation schedules.

Providing Actionable Solutions

In the first year, the change of accounting method savings catch-up was approximately \$3.5M, resulting in a current tax savings of roughly \$1.3M. The study resulted in a net present value of taxed deferral of \$2.2M. The inspection of all other fixed assets led to the reclassification of \$2M of assets to more rapid depreciation schedules and thus, even greater tax savings in the current year.

EKS&H

Talk to an EKS&H Business Consultant today: **303.740.9400**

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