

Uncovering Increased Tax Savings In Your New Business Condominium

Special 50% "Bonus" Depreciation **Expires Dec. 31st, 2004**

Know The Rules: increase your tax deduction

Everyone's interested in saving on taxes. Not everyone knows how. Many taxpayers often incorrectly classify their entire building/condominium as having a tax life of 39 years. The mistake most taxpayers make is the failure to correctly classify eligible property assets into shorter tax lives. Consequently they miss out on the significant tax savings and improved cash flow potential of their investment.

Cost segregation studies can often reclassify a meaningful portion of a new building/condominium into 5-year, 7-year, and 15 year property. For example, with a cost segregation study, many assets may be classified with shorter depreciation periods, e.g., carpeting, certain electrical connections and most land improvements: including landscaping, pavement, parking lots, sidewalks, drainage/sewer systems, retaining walls etc. By having shorter lives, these assets can be written off over periods substantially less than 39 years and thereby increase the early-year tax deductions and cash flows.

Additional 50% "Bonus" Depreciation Expires Dec. 31, 2004

Additionally, these same asset classes may be eligible for a one-time 50% "bonus" depreciation. Congress enacted new tax laws in 2002 and 2003 to help improve the economy. These laws offer taxpayers unprecedented incentives to purchase new equipment and other types of qualifying property before January 1, 2005. The revised "bonus" depreciation is equal to 50% of the purchase cost of the eligible assets purchased after May 5, 2003 and before January 1, 2005. The property must be new to use, not just new to the taxpayer. The rules behind "bonus", section 179, and regular depreciation are fairly complex. Please consult your tax advisor regarding your specific situation.

Example Savings Potential

Assume that a taxpayer purchased a new condominium unit for \$800,000 and that the share of the landscape and other qualifying assets were determined by a cost-segregation study to be approximately 7.5% (or about \$60,000) of the total purchase price. Also assume that land is 20% of the purchase (non-depreciable) and that the \$60,000 of qualified assets are all 15-year assets. The 50% "bonus" depreciation for units purchased by year-end 2004 could be up to \$30,000! Plus the regular depreciation (based on total purchase price less land and bonus depreciation taken) of approximately \$16,800 (or \$580,000/39 years plus \$30,000/15 years - i.e. the remaining 15-year assets after the 50% bonus is taken.)

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THIS INFORMATION IS A SUMMARY OF SOME OF THE DEPRECIATION OPPORTUNITIES AVAILABLE TO TAXPAYERS AND IS NOT INTENDED AS TAX ADVICE. PLEASE CONSULT YOUR TAX ADVISOR REGARDING YOUR SPECIFIC TAX SITUATION.

