

Cost Segregation Update—June 2007

Our firm was founded 8 years ago to be a resource for local and regional accounting firms that wanted to bring the cost segregation technique to their clients and prospects without having to make the investment in people and intellectual capital. As most of you know I was a valuation partner at Arthur Andersen and the firmwide head of their cost segregation services for 5 years. Our staff of 7 professionals are engineers (civil or architectural) with significant cost segregation, construction cost estimating, construction accounting, Section 38 law knowledge, and valuation experience. We also have experience in representing clients under audit by the IRS. Each quarter we issue a brief newsletter regarding recently completed projects and developments. This newsletter only mentions recent projects but the next will discuss two **IRS audits** where the studies were done by other firms and we are assisting in helping defend or redo the analyses. In addition we will discuss an approach used by certain large accounting firms to significantly increase their cost segregation fees but at a significant risk to the client.

I hope the below information helps you identify opportunities in order to generate significant benefits for your clients and prospects and additional fee revenue for your firm.

1. Construction of an **Electrical Parts Office/Distribution facility**
Construction cost \$4,196,000
Identified **28.5%** as short lived property (5, 7, or 15 year)
After-tax present value of **tax deferral \$158,000**
First three years **additional depreciation \$427,000**
Ratio of benefits/fees --35 times
2. Construction of a new **light manufacturing facility in Tennessee**
Construction cost \$4,743,240
Identified **27.7%** as short lived property (5, 7, or 15 year)
After-tax present value of **tax deferral \$161,000**
First three years **additional depreciation \$370,000**
Ratio of benefits/fees--33 times
3. Acquisition of a **Ford dealership in Oklahoma**
Tax basis in improvements \$4,506,000
Identified **28.3%** as short lived property (5, 7, or 15 year)
After-tax present value of **tax deferral \$170,000**
First three years **additional depreciation \$459,000**
Ratio of benefits/fees--28 times
4. Construction of a branch **bank, drive-up facility**, and renovation of **bank service center**
Construction cost \$7,635,072
Identified **33.6%** as short lived property (5, 7, or 15 year)
After-tax present value of **tax deferral \$355,000**
First three years **additional depreciation \$1,005,000**
Ratio of benefits/fees--44 times
5. Construction of a **dental clinic in Austin, Texas**
Construction cost \$1,144,000
Identified **39.2%** as short lived property (5 or 15 year property)
After-tax present value of **tax deferral \$60,000**

First three years **additional depreciation \$172,000**
Ratio of benefits/fees--20 times

6. Construction of a **medical office building** in Tennessee

Construction Cost \$7,938,000
Identified **22.8%** as 5 and 15 year property
After-tax present value of **tax deferral \$256,000**
First three years **additional depreciation \$747,000**
Ratio of benefits/fees—42 times

7. Acquisition of **3 multi-tenant office buildings** in Texas (77,000 SF)

Tax basis in improvements \$3,319,000
Identified **23.4%** as short lived property -significant land improvements
After-tax present value of **tax deferral \$105,000**
First three years **additional depreciation \$268,000**
Ratio of benefits/fees-- 12 times

8. Construction of a new **Toyota** dealership

Construction cost \$2,695,141
Identified **48.2%** as short lived property
After-tax present value of **tax deferral \$169,000**
First three **years additional depreciation \$450,000**
Ratio of benefits/fees—30 times

9. Construction of a **corporate office and data center** in Tennessee

Construction cost \$37,297,000
Identified 34.1% as short lived property
After-tax present value of **tax deferral \$2,042,000**
First three years **additional depreciation \$6,559,000**
Ratio of benefits/fees--146 times

We also have other projects in progress relating to retail shopping centers , corporate headquarters, outpatient surgery centers, nursing and assisted living facilities, downtown and suburban office towers, beauty school and spa, and automotive dealerships. I will update you on these projects in the next newsletter.

To receive an estimate of potential benefits and a fee estimate, please send or call us the following property information:

Property size in square feet Property use (hotel, office, manufacturing, distribution, apartments, retail, etc)

If multi-tenant, how many tenants

Depreciable basis

Is the property new construction, an acquisition, or subject to an estate tax step-up?

We can also provide sample proposals and references on studies of similar projects for your use.

Please call if we might be of assistance to you with one of your clients or prospects.

John

WILMOTH & ASSOCIATES, LLC

940-458-2860

HYPERLINK "mailto:jwilmoth@coserv.net" \o "mailto:jwilmoth@coserv.
net"**johnwilmoth@earthlink.net**