


LOOK-BACK STUDIES

A cost segregation study performed on a property placed in service in years past, where a tax return has already been filed, is known as a look-back study. This look-back study will identify costs that were incorrectly classified as 27.5, 31.5, or 39-year property and reallocate them to the appropriate recovery periods; typically 5, 7, or 15-year.


Upon completion, the taxpayer is allowed to make an adjustment under IRC §481(a) to catch up on depreciation. The catch up, which is taken in a single year, is equal to the difference between what was depreciated and what could have been depreciated if a cost segregation study was performed on day one. The benefits can be dramatic. Additionally, the change can be made without filing an amended return. The taxpayer simply files Form 3115 (Change in Accounting Method) with the cost segregation study attached.

The IRS permits taxpayers to use cost segregation studies to adjust depreciation on properties placed in service as far back as January 1, 1987.



58,000 SF Office Building
\$8.38M Depreciable Basis

Accelerated: \$1,991,959 (23.8%)
Est. §481(a) adj: Over \$1,270,000
1st Year Savings: Over \$500,000
10-Year NPV Savings: Over \$480,000



77 Building Apartment Complex
\$15.96M Depreciable Basis

Accelerated: \$3,831,930 (24%)
Est. §481(a) adj: Over \$2,250,000
1st Year Savings: Over \$1,070,000
10-Year NPV Savings: Over \$1,490,000

**Based on a 40% tax rate and 6% discount rate.*

Bedford is a qualified cost segregation provider with experience performing look-back studies and will stand behind our work in the event of an IRS challenge. Contact us today to learn more about the benefits you may be eligible to receive.