

Cost Segregation Benefits for Hotel Owners

Apartments - Hotels - Manufacturers - Offices - Restaurants - Retail Plazas - Warehouses

In the example of a hotel owner, if the cost of the hotel was \$4.8 million, the owner can still generate a large amount of taxable income even after maintenance fees and expenses. Applying Cost Segregation to the hotel and depreciating equipment and other assets over shorter life periods, the owner will save \$109,107 in the first year over a traditional straight-line deduction. Cash Flow Increased in year 1 \$ 109,107 Cash Flow Increased in year 1-6 \$ 479,044 Net Present Value (NPV) \$ 388,246 Combined Tax Rate 41% Net Present Value Factor 8%

	Asset Class	Percent							
	Reclassified	Depreciable							
Basis	5 - Year Property	24%	1,200,000	7 - Year Property	3%	150,000	15 - Year Property		
13%	660,000	39 - Year Property	60.0%	3,000,000	Total Real Property	\$ 5,000,000			