



www.innovaterealestate.net

Why You Should Utilize 263A UNICAP Exemption:

- 263A UNICAP Exemption(2018): This provision, introduced under the TCJA, relieves small business taxpayers from the tedious requirement of capitalizing and tracking certain costs for years.
- Instead of managing long-term cost capitalization, businesses can leverage this exemption for immediate tax savings.
- By avoiding capitalization, eligible businesses may receive an immediate tax benefit of 5% to 25% of certain assets.
- Most tax payers are capitalizing on cost but not utilizing the exemption.

263A UNICAP Exemption

IRS rule requiring businesses to capitalize certain costs related to inventory and production.

WHO IS AFFECTED:

- Building Owners who have self constructed assets built after 2018.
- And/Or any improvements \$350K or more.
- Any Business with less than \$31 million in gross receipts (avg. of 5 years)

KEY BENEFITS:

- Creating Deductible Expenses
- No Recapture

Ready to Optimize Your Tax Strategy?

Contact Us!



ROB SCHELL

Principal
3-time INC 500 Recipient

(847) 732-6060

rob@innovaterealestate.net



LAUREN BURGESS

Principal

(256) 808-9729

lauren@innovaterealestate.net



CASH FLOW FOR SHORT/LONG TERM RENTAL/AIRBNB OWNERS

Don't miss out on one of the Largest Tax Benefits for all Short-term Rental/Airbnb Property Owners that translates into cash flow in your pockets today!

THE ONLY DIFFERENCE BETWEEN SHORT/LONG TERM RENTAL IS SHORT TERM IS 39 YEARS LONG TERM IS 27.5 YEARS DEPRECIATION COSTS

Key Takeaways:

- ✓ The Tax Law allows for a quicker depreciation of certain building components that can generate additional cash flow through accelerated depreciation.
- ✓ Through a Cost Segregation Study, the average acceleration of building components can be 20-35% of the total basis of the property.
- ✓ CSSI uses their Engineering Based expertise to segregate and determine which components can be accelerated taken earlier.
- ✓ Building Components and other Land Improvements can all into either 5-year, 7-year, 15-year buckets that can be accelerated faster.
- ✓ Any component or improvement placed in service after 9/27/2017 that has a 20-year tax life or less, qualifies for Bonus Depreciation which can result in 100% of the cost of the component being depreciated in the first year.

Example:

You purchase a property for \$1,200,000, with a land value of \$200,000. Your depreciable cost basis is \$1,000,000. Using standard straight-line depreciation, this amount would be depreciated over 39 years (short term) 27.5 years (long term)

01 OPTION

You choose to take the depreciation over the 39 years, leaving you with a depreciation expense every year of \$25,641, (27.5 years would be \$36,364) This depreciation expense can be applied against your income if you are passive investor and if you materially participate, the depreciation expense can be applied against both ordinary income and passive income.

02 OPTION

You choose to hire a Cost Segregation Firm and they find on average 20-35% of the \$1,000,000 cost basis can be accelerated or even bonuses in year 1. This depreciation expense can be applied against your income if you are passive investor and if you materially participate, the depreciation expense can be applied against both ordinary income and passive income.

Would you pay a one-time fee to a 3rd party Cost Segregation Firm to properly allocate these components for your tax preparer, so you can take \$200k-\$350k of your depreciation sooner or even in year 1?



Rob Schell

rob@innovaterealestate.net 847.732.6060



Lauren Burgess

lauren@innovaterealestate.net 256.808.9729