

BIG Tax and Other Savings on Your Real Estate

Are You Taking Advantage of Them?

Dealership real estate is a significant investment and ongoing operating expense for every dealership. Virtually every manufacturer has indicated that facilities and their branding appearance are very important to them, and dealers will soon be faced with a new barrage of OEM requests to improve their stores. Numerous building projects are already emerging across the country, and **whether you are contemplating a near-term building project or you are saddled with an older facility**, there are several opportunities awaiting you to save large sums of money through tax advantages and operating efficiencies.

In his Dixon Hughes *Strategic Dealer* (October 2009) article [*Dealerships Going Green*](#), Asheville member, David Dills provided an overview of certain energy savings concerning new building projects. If you are contemplating constructing a new facility or significantly improving an existing facility, there are **major tax advantages** that you can obtain by incorporating some strategic planning **before** the project gets out of the ground. We have worked closely with our clients through working with dealer-knowledgeable engineers, and the resultant tax efficiencies communicated through the dealer's architects and contractors have often been six and seven figures! The savings are not only immediate ones through available tax credits and rapid write-offs, but also long-term annual savings in utility costs.

How Can I Save Taxes?

As David mentions in his [*Dealerships Going Green*](#) article, there are several federal income tax credits and deductions now available to dealers related to real estate projects. These benefits, in and of themselves, are fabulous. However, we have been working closely with our firm's SALT (state and local tax) professionals, and we have identified numerous state and local tax credits and deductions that are available **in addition to** the federal benefits. For example, several states will match the federal Section 179D tax deduction, and a well-informed dealer in those jurisdictions will increase their tax savings! Many states and local jurisdictions as well as utility companies offer highly favorable rebates for energy saving investments.

Cost segregation studies provide a classification of your building components to maximize the amount of depreciation you may claim each year. Absent any cost segregation, most building costs are depreciated over a 39-year period. Through cost segregation, a significant portion of your building (sometimes as much as 30 to 40 percent) may be classified into categories that warrant depreciation over much shorter lives, thereby decreasing your federal and state taxable income on an accelerated basis early in these assets' lives.

A cost segregation study is most efficient for new buildings recently constructed but it can also uncover retroactive tax deductions for older buildings which can generate significant income tax benefits due to "catch-up" depreciation.



To ensure compliance with requirements imposed by the IRS, we inform you that any tax advice contained in this communication (including any attachments) is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.

When designing a new facility, the savings from incorporating well thought out lighting and energy components can produce major reductions in your construction cost and provide you with additional annual savings once the building is placed in service. We work closely with your construction team (architects, contractors, etc.) during the design process to seamlessly coordinate our activities with them. The result is a fully integrated team approach that maximizes the dealer's investment in the new facility.

How Can I Save Money on Existing Facilities?

Our tax professionals, in coordination with David Ely and his company, Energy Design Service Systems (EDSS), work closely with our dealer clients to identify savings for their buildings through the tax credits and deductions mentioned above. EDSS may concurrently assist by renegotiating gas and electric bills in ways that can generate substantial current and ongoing savings.

- Dixon Hughes and EDSS utilize The Energy Policy Act of 2005 (EPACT) which provides generous tax deductions to those who meet specific energy efficiency guidelines for lighting, HVAC systems and building envelopes. The savings can be as high as \$1.80 per square foot, a considerable benefit for structures large and small.
- Dixon Hughes clients have successfully reduced energy costs by securing lower utility rates with the assistance of EDSS. Additionally, a number of states offer a deregulated electricity supply.
- Dixon Hughes clients may also save significant dollars each month by performing an energy audit on their building. During this process, your building will be inspected, surveyed and analyzed by EDSS. An energy audit may involve recording various characteristics of the [building envelope](#)* including the walls, ceilings, floors, doors, windows and skylights. The audit may also assess the [efficiency](#)*, physical condition and programming of [mechanical systems](#)* such as the heating, ventilation, air conditioning equipment and lighting.

**Source: Wikipedia*

Most dealers pay little attention to these potential areas for cost reductions and rebates, and the dollars involved are often significant.

As the economy recovers and retail sales begin to increase, dealers can be assured that the manufacturers will return to the issue of facilities. Available tax benefits and energy savings can be improved by taking proactive steps to incorporate your Dixon Hughes tax professionals into your facility improvement team.

For additional information regarding tax savings for your existing or contemplated new facilities, please consult with your Dealer Services Group tax professional. Or, you may contact Robert Davis, CPA at (901) 684-5646 or via e-mail at rdavis@dixon-hughes.com or Meg Deal, CPA at (919) 875-4966 or via e-mail at mdeal@dixon-hughes.com.

For additional information regarding the Dixon Hughes Dealer Services Group, please contact us at dsg@dixon-hughes.com, (877) DLR-CPAs or visit us on the Web at www.dixon-hughes.com/dsg.

About the Dixon Hughes Dealer Services Group

The Dealer Services Group of Dixon Hughes, one of the nation's top 20 accounting firms, has over 135 dedicated professionals working exclusively with some of the largest automotive and heavy truck dealerships across the country. Providing our clients with industry thought leaders in our Assurance, Tax and Risk Service Groups, we consult on best practices to help maximize efficiencies, decrease costs and understand risk management. Dealerships need an independent CPA firm to provide an objective view to take their business to the next level. At Dixon Hughes, we deliver on both sides of the service equation. A fact you might find a plus.