engineered
TAX SERVICES

your specialty tax partner for a wide variety of business verticals

about engineered tax services

Engineered Tax Services is one of the country's only professionally licensed engineering firms that provides best-in-class specialty tax services to CPAs, their clients, architects, engineers, and other professional service firms. With over 20 years in business and its team of CPAs, tax attorneys, and engineers, Engineered Tax Services helps clients add value to their client relationships by providing sophisticated strategies like cost segregation, research and development tax credits, and other specialized credits and incentives, allowing them to retain more working capital and drive profitability. It has met with the highest level of success under IRS scrutiny, coupled with the highest possible tax savings of any provider in its industry.

To Learn More

about how Engineered Tax Services is helping companies take advantage of these valuable tax benefits, or ID request detailed information, contact us at **1.800.236.6519** or visit **www.engineeredtaxservices.com.**

meet our executive team

Julio Gonzalez
Founder and
Chief Executive Officer

Jeffery S. Pawlow
President

Tess Honan
Chief Operating Officer

Heidi Henderson
Executive Vice President

Kimberly Lochridge
Executive Vice President

Michael D’Onofrio
Managing Director

Cost Segregation

If you own real estate, the best way to reduce your tax liability is by applying cost segregation. This type of analysis properly classifies the components of your building (whether newly constructed, purchased or renovated) into shorter recovery periods (or useful lives) to shorten the depreciation period. The result? You can increase tax write-offs and reduce taxable income.

Engineered Tax Services provides a detailed engineering review as part of our reporting process and works seamlessly with your existing CPA for minimal disruption to your business.

When Should I Commission My Cost Segregation Study?

- Cost segregation can be performed anytime even without amending your tax returns.
- However, the best time is immediately after the property is placed in service, which will ensure your ability to increase depreciation and to write-off assets removed during remodeling or replacing building components.
- Performing a study in the year of acquisition also ensures your ability to claim bonus depreciation which can create a write off as high as 30% of your total purchase price in the first year.

Engineered Tax Services Provides The Following Cost Segregation Services:

- A free, no-risk cost-benefit analysis. **Plus, we:**
- Evaluate your current tax status and future business plans to determine the applicability of a cost segregation study specifically for your project
- Visit the facility/project or provide virtual Tele-Engineering™ services to determine how the components and systems are utilized and document the systems and components

- Provide a detailed engineering review of the assets, including special purpose mechanical and electrical systems, decorative finishes, site improvements, and any process related to special purpose construction
- Complete a written report with the asset detail supporting the reclassifications and complete the necessary tax form(s)

Bonus Depreciation Example

Existing Real Property Acquired	Prior & New Law		Prior Law		New Law	
$2,500,000 Purchase (excluding land allocation)	SL 39-Year Depreciation without Cost Segregation		Cost Segregation MACRS (no bonus)		Cost Segregation MACRS (with 100% bonus)	
5-year Personal Property	0%	$0	24%	$600,000	24%	$600,000
15-year Personal Property	0%	$0	6%	$150,000	6%	$150,000
39-year Real Property	100%	$2,500,000	70%	$1,750,000	70%	$1,750,000
Approximate 1st Year Depreciation	**$64,103**		**$172,372**		**$794,872**	

> “Bonavista Holdings, Inc. is a real estate holding company with approximately 1,000,000 square feet of commercial space located primarily in Broward and Palm Beach Counties. Our firm engaged Engineered Tax Services to perform a cost segregation study on our behalf. I received a favorable result that exceeded all of my expectations. I found Mr. Gonzalez to be extremely competent, thorough, and knowledgeable of the subject matter. I had used other firms to do similar work previously, and none compared to the expertise and professionalism exhibited by Mr. Gonzalez’s firm. Needless to say, I would highly recommend his firm, and I would not hesitate to use his services in the future.”
>
> **Marvin Feinstein** | Principal of Bonavista Holdings, Inc.

R&D Credit

Every company improves products and processes to remain competitive; the government rewards them through research and development (R&D) tax credits. If you qualify, you can maximize your company's cash flow and bottom line.

How Do I Know If I Qualify For R&D Credits?

The Four-Part Test

If you can pass this four-part test, your activities constitute qualified research, according to criteria established by the IRS:

1 **Permitted Purpose**
The activities must relate to new or improved business components, function, performance, reliability, and quality.

2 **Technological in Nature**
The activity performed must fundamentally rely on principles of physical or biological science, engineering, and computer science.

3 **Elimination of Uncertainty**
The activity must be intended to discover information to eliminate uncertainty concerning the capability, method, or design for developing or improving a product or process.

4 **Process of Experimentation**
The taxpayer must engage in an evaluative process that can identify and evaluate more than one alternative to achieve a result. This may include modeling, simulation, or a systematic trial and error methodology.

When Does It Make Sense to Claim R&D Credits?

- The federal R&D credit is roughly 14% of your qualifying expenses, which may include salaries and wages, outside contractors, and supply costs used in developing your product.
- R&D tax credits offset your federal (and some state) income taxes, and apply as an offset of the taxes you owe. They may also apply to company paid payroll taxes.
- Companies that have patents, or are designing, developing or building new products commonly see the value and can claim R&D credits as much as 3 -years retroactively, and each year going forward.

Software/Manufacturing Case Study

Year	2018	2019
Qualified Wages	$486,821	$507,438
Cost of Supplies	$210,175	$172,599
Total Qualified Costs	**$696,996**	**$680,037**
R&D Federal Credit	$55,063	$33,701
Credit Percentage	**8%**	**5%**

Energy Incentives

Are you a builder, owner, or developer of residential homes and apartment buildings? Then you can earn tax credits and deductions for energy efficiency, if your properties meet certain qualifications.

45L Energy-Efficient Home Tax Credits

If you're a developer of energy-efficient buildings, you can obtain a 45L Energy-Efficient Home Tax Credit equal to $2,000 per residential unit or dwelling. Qualifying properties include apartments, condominiums, townhouses, and single-family homes.

Note: The 45L energy-efficient residential tax credit was extended in 2020 and is in effect through the end of 2021. The tax credit was retroactively extended to include 2018 and 2019. You can carry over any unused credits for up to 20 years.

Eligible Properties For 45L Tax Credits

Each unit should provide a level of energy efficiency higher than national energy standards; however, many newer developments already exceed these standards, based on recent energy standards and building codes. We recommend that you evaluate any apartment or condominium project developed within the past four years, whether new construction or rehabilitation, for the 45L tax credit.

- Properties must be three stories or lower.
- Builders/owners/developers must incorporate energy-efficient features such as high R-value insulation and roofing, windows, doors, and/or HVAC systems.
- The property should have units sold or leased before December 31, 2021.

45L Tax Credit Requirements

A licensed professional who's an unrelated third party to the project must complete the certification. We provide 45L certifications that our licensed engineers evaluate, model, and sign off. Once we complete your certification, you'll receive a certification package with all necessary documentation and certifications to sustain the tax credit in the case of IRS audit.

The 179D Energy-Efficiency Tax Deduction

Recently under the Consolidated Appropriation Act of 2021, the 179D Commercial Buildings Tax Deduction, also known as the 179D EPACT Tax Deduction, was made permanent. It incentivizes the design and installation of energy-efficient building systems and energy conservation for building owners of high-rise multifamily projects and commercial buildings. The 179D deduction can also be given to the architect who designed the technical specifications for a public entity.

How Much Is The 179D Energy Policy Act Deduction?

- Maximum deduction – $1.80 per square foot = 50% reduction in total annual energy and power costs (compared to a reference building that meets the minimum requirements of ASHRAE Standard 90.1, not to exceed the amount equal to the cost of energy-efficient commercial property placed in service during the taxable year);
- Partial deduction – $0.60 per square foot/per system for reduction of energy consumption through building envelope, HVAC, and lighting;
- Partial deduction (interim lighting) – from $0.30 to $0.60 per square foot = 25-40% reduction in lighting power density (50% in the case of warehouses)

What Are The Requirements?

The improvements must reduce total annual energy and power costs with respect to the interior lighting systems and heating, cooling, ventilation, and hot water systems by 50%. However, partial deductions are allowed. Energy modeling is required to justify the deduction; a third-party qualified engineer or contractor registered in the jurisdiction must complete inspection and testing.

> "I want to thank you for the cost segregation and energy tax credit work you have done. The results have been very favorable and have resulted in significant tax benefits. We look forward to working with Engineered Tax Services in the future."
>
> **Lewis B. Kevelson, CPA** | Partner at Rachlin LLP

5G Rooftop Leasing:
Monetize Your Real Estate

5G is the next phase of cellular telecommunications that's being rolled out worldwide. It's become a top priority for deployment for cellular carriers in North America, because 5G can handle over 100 times the data compared to 4G.

However, unlike 3G and 4G, 5G requires transmitters about every five city blocks due to its higher frequency and shorter wavelength, so carriers have been scrambling to find commercial real estate locations to deploy the network as fast as possible.

Here's where we can help. Engineered Tax Services has established relationships with strategic partners to build out 5G networks and provide an end-to-end solution for all carriers nationally. As a result, you can make a considerable amount of money if you're a building owner who works with Engineered Tax Services. We'll analyze your building(s) to initially see if they're suitable for 5G technologies and assess, according to location, if your property is an optimal candidate for carrier consideration.

How Our Deal With You Works

- We don't earn anything until you do. Since we align our compensation with you, you're assured of receiving the best deal possible.
- Our fee covers everything: property profile, analysis, permitting, tower construction, utilities, taxes, carrier relations, contract negotiation, carrier upselling, cash flow management, and representing you, as the client.
  You pay nothing until a lease is secured and the first month rent collected.
- You get our continued support: once you partner with Engineered Tax Services, we manage the entire rooftop lease process from A-Z.

Opportunity Zones

Opportunity Zones Tax Incentive

The Opportunity Zones tax incentive, part of the federal Tax Cuts and Jobs Act of 2017, lets developers defer capital gains and help develop distressed communities through qualified opportunity zones (QOZs). Specifically, QOZs offer investors the following advantages:

1. Temporary tax deferral until 2026 by rolling gains into a qualified opportunity fund (QOF). A QOF must have at least 90 percent of its assets invested in qualified opportunity zone property, which includes one of three things: qualified opportunity zone business property, QOZ stock, or QOZ partnership interest.

2. Step-up in basis: After five years, investors receive a basis increase of 10%; after seven years, they receive an extra 5% basis increase for a total of 15%.

3. If an investor holds their investment in a QOF for 10 years or more, the basis will be equal to the investment's fair market value, creating a permanent capital gain.

COVID-19 Relief For Qualified Opportunity Funds

On June 4, 2020, the IRS issued Notice 2020-39 to provide relief to QOFs, QOZ businesses, and their investors. The notice extends certain deadlines and working capital suspensions due to pandemic-related interruptions that have delayed project financing, approvals, and construction activities. Overall, the IRS is giving investors greater flexibility in making QOF investments.

How Do Developers Qualify For The Opportunity Zones Tax Incentive?

- Based on recommendations from U.S. governors, the IRS established 8,700 approved QOZs in all 50 states, which are designated by census tracts.
- Once a developer has identified eligible property, the QOF can take form by following specific guidelines, including entity structure, documentation, business operations, asset holdings, and filing requirements, among others.
- Developers and business owners should work closely with their specialty tax advisors to ensure they can provide their investors with an exceptional tax-incentivized program.
- Anyone with a capital gain is eligible to participate, and that gain can come from any type of property, including mutual funds, private businesses, public stocks, or real estate.

Employee Retention Credit

Claim Your Employee Retention Credit Now:
December 31, 2021 Deadline!

Act now! Eligible employers who retained employees during the COVID-19 pandemic have until December 31, 2021 to claim the employee retention credit (ERC).

With the new law, retroactive to March 27, 2020, employers who received Paycheck Protection Program (PPP) loans can claim the ERC for qualified wages not treated as payroll costs in obtaining forgiveness of the PPP loan.

You can earn a refundable credit of up to $5,000 for each full-time employee you retained between March 13 and December 31, 2020, and up to $14,000 for each retained employee between January 1 and December 31, 2021.

You qualify as an employer if you were ordered to fully or partially shut down, or if your gross receipts fell below 50% for the same quarter in 2019 (for 2020) and below 80% (for 2021).

- If you weren't in business in 2019, you can use the corresponding quarters from 2020.
- You can claim your credit immediately by reducing payroll taxes sent to the IRS.
- If your credits exceed payroll taxes, you can request a direct refund from the IRS.

Contact us to see if you qualify under your special circumstances.
Don't wait! The window is closing rapidly.

Work Opportunity Tax Credits

Work Opportunity Tax Credits (WOTCs) are a federal tax program that rewards companies that hire certain targeted groups that have consistently faced significant barriers to employment. The WOTC is a dollar-for-dollar tax credit (not a percentage) of IRS taxes owed.

You can claim WOTCs until December 31, 2025. The program rewards the hiring of qualified IV-A (Temporary Assistance for Needy Families) recipients; qualified veterans; ex-felons; designated community residents; vocational rehabilitation referrals; summer youth employees; Supplemental Nutrition Assistance Program (SNAP) recipients; Supplemental Security Income (SSI) recipients; Long-Term Family Assistance recipients; and Qualified Long-Term Unemployment recipients.

Using geographic incentive credits, the federal government has designated certain economically depressed areas as tax advantage areas, or Empowerment Zones. If your business is located in one of these areas and employs individuals living in the same area, it can earn credit against its federal tax liability.

Contact us so you can gain the full benefit of this valuable federal program.

Other Credits and Incentives

Credit	Description	Triggers
Tangible Property Repair Regulations	You can gain significant tax benefits if you made improvements to tangible property, but the IRS has placed new regulations on what you can expense and what you should capitalize.	Deductible repairs may include "incidental repairs" that help to maintain an efficient operating condition but do not necessarily prolong the property's life, add material value, or adapt the property for new or different use.
Construction Tax Planning	**BEFORE** construction begins, you may qualify for tax benefits using: • Federal Incentives for Energy Efficiency • State & local rebates and incentives • LEED commissioning • Proper liability insurance coverage • Accelerated depreciation on all applicable building components • And more	**Items to be considered for optimal benefits include:** • Interior Walls (wall coverings, partitions, low walls) • Ceilings (decorative coverings, tin, wood, etc.) • Flooring (removable, adhesive types, finishes) • Miscellaneous Finishes (chair rail, crown molding) • Warehouse Applications (driver areas, walls) • HVAC, Plumbing & Electrical Systems (purpose & use) • Buildings Attached Assets (canopies, decks, flagpoles) • Typical Site Improvements (landscape, walks, etc.)

"Engineered Tax Services has been a very valuable engineering resource to our firm over the past decade. We find their firm the only licensed engineering firm to be uniquely qualified to handle the complex issues regarding cost segregation, 263a, 179D and repair and maintenance. We did our due diligence and the results speak for themselves as Engineered Tax Services is the dominant engineering resource to the CPA community."

Goldstein Schecter Kosh

Credit	Description	Triggers
Disposition of Assets	When you demolish or renovate a building to tear out lighting, HVAC units, and other components, they're disposed of or retired from the building; their book value can be treated as a business deduction. The tangible personal property within the structure allows for the remaining depreciable value to be written off when the asset is retired, provided the personal property is no longer in service and was not purchased with the intent to demolish. This must be identified and valued prior to demolition.	When an asset is permanently withdrawn from use when: • Sold • Exchanged • Retired • Physically abandoned • Destroyed • Transferred to a supplies, scrap, or similar account
Historical Tax Credits	By either rehabilitating directly or investing in the rehabilitation of eligible buildings, taxpayers can take advantage of one or two historic tax credits. **1.** Historic Preservation Tax Credits **2.** Historic Tax Incentives	Property must be listed in the National Register of Historic Places.
Insurance Replacement Appraisals	We generate significant savings for our clients through a Detailed Engineering Insurance Replacement Appraisal (DEIRA) that is accepted by national insurance company underwriters to establish accurate property valuations, which lead to reduced insurance premiums and improve coverage terms and conditions.	Can be undertaken any time – whenever you want to save money.

engineered
TAX SERVICES

Call us at 800.236.6519 or visit
www.engineeredtaxservices.com

303 Evernia Street #300
West Palm Beach, FL 33401