

## REAL ESTATE TAX SERVICES

One of our specialty areas is the commercial real estate industry. The CCA team has been actively involved in organizations at the national level including the National Realty Association, the Real Estate Tax Institute and the National Association of Real Estate Investment Trusts. CCA team members were among the handful of professionals involved in the adoption of the UPREIT structure in the early 1990s which led to the proliferation of publicly traded REITs. We have served clients in the real estate industry for more than 35 years.

### REPRESENTATIVE ENGAGEMENT: QUALIFIED OPPORTUNITY ZONE TAX DEFERRAL

A long standing hospitality owner/operator acquired a previously owned hotel located in a qualifying opportunity zone. The client did not acquire the property with an intention of qualifying the property as tax deferral for capital gains. However, it was brought to the owner's attention that several of his investors could benefit from the tax deferral of gains by qualifying his LLC as a Qualified Opportunity Zone Fund (QOF). We educated the owner on the relative costs and benefits of QOF and bonus depreciation. As part of most hospitality acquisitions, the new owner conducts property improvement programs (PiP). Thanks to recent tax legislation, the PiP expenditures, as well as a substantial portion of the cost of the acquired building were deductible over the first 2 or 3 years of operating the property. This left the owner with a decision on whether to qualify the property as a QOF or take advantage of the rapid write off of acquisition and improvement costs.

CCA worked with the owner/operator assisting in negotiations with the seller for purchase price allocation beneficial to the two tax strategies, as well as with counsel to provide for language in the LLC operating agreement to support either of the tax strategies as appropriate. In addition, CCA was able to leverage their 30 years of cost segregation expertise to the analysis. The owner/operator was able to present the property to his investor group, allowing the potential investors to identify which of the two strategies benefited them.

### REPRESENTATIVE ENGAGEMENT: TAX LIABILITY AND COMPLIANCE

We were engaged to help a client who was selling a hotel and terminating a partnership. The managing member wanted to make a distribution to the members and needed an estimate of the amount of cash that would need to be retained in order to meet tax obligations. In order to provide guidance to the client, we researched state tax withholding requirements and options. Through our analysis, we estimated both taxable operating income and gain on the sale as well as the magnitude and character of the gain.

The partnership had numerous partners and past distributions were not made in accordance with ownership percentage, so a special allocation of income was also required. We prepared a projected income allocation to estimate state withholding requirements for each partner. Our client was able to distribute a portion of the sale proceeds to partners, knowing what should be held back for future tax liabilities.



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## REPRESENTATIVE ENGAGEMENT: REAL ESTATE TAX PLANNING

We were engaged to aid a client in developing significant tax saving strategies for a real estate transaction. Our client desired to sell the real estate and use the proceeds to build property on land owned by a related entity. The real estate to be sold carried a significant unrealized capital gain, which bears a significant tax liability.

We procured interviews with the client regarding the current value of the property, reviewed the tax basis records for the real estate and prepared a projection of the potential gain and resulting tax on the sale of the building, in the event of no tax savings strategy in place. Through our discussions with the client, we determined their intent of reinvesting the sale proceeds into a development project of an affiliated company. We researched tax and case law to develop a tax strategy that would allow the client to utilize Section 1031 like-kind exchange gain deferral provisions for the construction of property on land owned by a related party through the use of delayed exchange provisions with a Qualified Intermediary and the use of an Exchange Accommodation Titleholder for construction of improvements to the land.

## REPRESENTATIVE ENGAGEMENT: BONUS DEPRECIATION

Each year, our client provides our firm with a list of fixed assets that they have acquired. Fixed assets can be a large cash outflow for businesses, especially under a remodel. We were engaged to analyze the fixed assets additions in 2018 in order to determine proper classification and the class lives to produce the best deductions for the client. Fixed assets can either be classified as 5 year, 7 year, 15 year, or 39 year property, according to the IRS, based on the type of asset placed in service. This allows for assets to be depreciated over their useful life, generating non-cash deductions to reduce taxable income for the taxpayer. In addition, some assets can utilize bonus depreciation to deduct 100% of the cost of the new asset. Analyzing fixed asset additions allows for appropriate classification and provides the ability to speed up depreciation expenses. Upon analysis of the client's schedule of fixed asset additions and the related documentation, we were able to generate current year deductions of approximately 87% of the amounts spent on fixed assets during 2018 by applying the safe harbor election and utilizing bonus depreciation.

## ABOUT US

### Cendrowski Corporate Advisors (CCA)

is a full-service financial consulting and litigation advisory firm with offices in Chicago, Illinois, and Bloomfield Hills, Michigan.

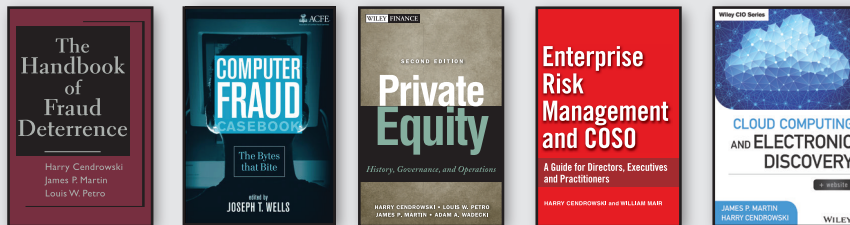
Services to the legal, corporate, banking, private equity, venture capital and non-profit sectors include risk assessment, fraud deterrence, litigation support, and investigations.

Harry Cendrowski is CCA's founding member and managing director.

### A Different Perspective™

CCA professionals, several of whom are authors, bring an average of more than 35 years' experience in the firm's primary areas of expertise to each engagement.

## VOLUMES OF DOCUMENTED EXPERTISE BY MEMBERS OF THE CCA TEAM



*The Business of*  
**LINKING  
OPERATIONAL  
INTEGRITY**  
*For more than 35 years*

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