Cutting Tax Burden: Improving Cash Flow on National Fitness Expansion
A Case Study

Our clients' confidentiality is of utmost importance to us! Our case studies are examples of actual companies that utilized Capital Discovery® to improve their financial health.

Barry's Bootcamp, an international work-out program, was opening 5 locations and putting approximately $11.3 million of improvements into their facilities. The tremendous growth of Barry's Bootcamp led to a significant cash outlay into each location without any real immediate tax benefit unless they completed a full cost segregation analysis. CRG helped generate tax benefits approaching $1 million collectively.

Reclassifying approximately 18% of the $11.3 million facility improvement **resulted in a 5-year tax saving of nearly $1 million through cost segregation.**

Challenges

- Continuing to provide the best service in their respective industries with significant business growth and spending the appropriate amount of capital to do so.
- Eliminating tax burden and ensuring that Barry's Bootcamp could grow the business by utilizing tax monies elsewhere.
- Offsetting capital expenditure with immediate tax benefits.

Solutions & Capital Discovery®

A cost segregation study on the remodeled buildings allowed traditionally 39-year property (written off over 39 years) to be reclassified as either 5-year, 7-year or 15-year property based on a detailed, engineering-based analysis of the blueprints and asset usages. Certain parts of the building could be depreciated much faster based on IRS guidelines. The IRS has issued an Audit Technique Guide (ATG) for their field agents, which spells out the process of a properly conducted cost segregation study. CRG follows this guide word for word. With hundreds of studies done over the years, not one has been overturned or adjusted by the IRS. Any $1 million to $3 million project can have at least 15-25% of assets allocated to shorter tax lives. Based on the cost of the Barry's Bootcamp build-outs, CRG was able to reclassify approximately 18% of the $11.3 million after accounting for all equipment/furniture separately. This **resulted in a 5-year tax saving of nearly $1 million**, most of which came in the first year with the new bonus depreciation rules in place.

CAPITAL REVIEW GROUP crginfo@capitalreviewgroup.com,
Toll Free: 877.666.5539 www.capitalreviewgroup.com