
CH Capital Partners LLC

Know who you are working with

Striving to educate and consult Small Business and Middle Markets to help create jobs for our fellow Americans

Strategies to increase profits for Small and
Middle market Businesses

By

Sok H. Cordell
Sr. Managing Director



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This presentation addresses the impact of the new law only with respect to U.S. citizens.



Cost Segregation & Accelerated Depreciation

Cost Segregation and Accelerated Depreciation

Answering and Addressing Typical Client Questions

(Continued)

- **What documents or information do I have to provide?** - Hard and electronic copies of the fixed assets involved in the study, general contractor blueprints and records, and additional information such as project close-out records, valuations, M&A reports, etc. based on the nature of the asset acquisition.
- **How much time will I have to provide?** – Our experience has been 2-3% of the total project hours. This time will likely be spread among several individuals.

The Project Process and Implementation

- Review Fixed Assets Under Consideration
 - Historical cost basis and origin of acquisition
 - Placed-in-service date
 - Depreciation method and life used
 - Asset description
- Prepare Initial List of Potentially Under-Depreciated Assets
- Perform Site Visit to Inspect and Document Subject Fixed Assets

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The Project Process and Implementation

(continued)

- Conduct Client Interviews
- Prepare Engineering Cost Estimates to Further Segregate Misclassified Property
- Gather Documentation for IRS Audit Support
- Calculate 481(a) Adjustment and Prepare and File Form 3115
- Provide Recommendations on a Going Forward Basis

Fee Structure

- **Phase I: “Discovery Phase”** - Determine if sufficient potential benefits exist to warrant a full-scale study and subsequent change in accounting method. Estimate the client’s potential benefit and review the level and condition of documentation available necessary to estimate the “Full-scale Study Fee”

- **Phase II: Full-scale Study**
 - Qualify assets for re-classification
 - Calculate benefit
 - Prepare documents
 - File
 - Ensure accelerated depreciation benefits in future years

Samples of Savings

- ✓ **Sample of savings provided to other companies in the Baltimore / Washington DC area:**

	Accelerated Depreciation Deduction
Total Fixed Assets	
\$20,400,000	\$1,960,000
\$5,275,000	\$545,000
\$4,600,000	\$460,000

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Example of calculations

Example

- \$10 million asset placed in service 1999
- 2012 fixed asset depreciation review
 - Reclassify 30% of real property to tangible personal property
- \$1,796,730 - 2012 total accelerated depreciation deduction
 - \$297,780 - 2012 accelerated depreciation deduction
 - \$1,498,950 - 2012 §481(a) catch-up depreciation deduction
- \$674,457 net present value of after tax benefit
 - 40% tax rate
 - 8% interest rate



Empowerment Zone Tax Credit Analysis

Creating Jobs and Receiving Tax Relief

Empowerment Zone Credit Analysis

– Washington, D.C.

- 20% tax credit for first \$15,000 of wages
- Based on census tracts
- Employer located within zone (includes job orders in zones)
- Employee must be a resident of DC
- Employee must work at least 90 days

Empowerment Zone Credit Analysis

– Baltimore, Maryland

- 20% tax credit for first \$15,000 of wages
- Based on census tracts
- Employer located within zone (includes job orders in zones)
- Employee must also be a resident of a zone
- Employee must work at least 90 days

Empowerment Zone Credit Analysis

- Income tax rules
 - Empowerment rules and zones constantly changing
 - Credit available to owner of company if flow-through
 - Special rules apply to all general business credits
 - Refund opportunities for open tax years



Sales & Use Tax Analysis

Better use of capital for the bottom line, Profits

Sales and Use Tax Analysis

- Unique sales and use tax issues for construction and construction management companies
- Our seasoned team of sales and use tax consultants have worked for tax jurisdictions (*e.g.*, Virginia) and in private industry enabling them to analyze any construction sales and use tax issue from the unique perspective of government compliance and industry practice
- Often times sales and use tax issues can go unnoticed for several years causing substantial tax liabilities for construction companies

Sales and Use Tax Analysis

- Sales and Use Tax NEXUS and filing requirements
 - Multistate contracts and suppliers
- Real Property versus Tangible Personal Property
 - What about when tangible property is affixed to real property?
 - Different rules for each state
 - Important to know for bidding and collection purposes
- Tangible Personal Property versus Professional Services
 - Sale of tangible property considered as a sale of services
 - Sale of services considered as a sale of tangible property
- Taxable Services versus Tax-Exempt Services
 - Different rules apply across different jurisdictions

Sales and Use Tax Analysis

- Commercial Projects versus Residential
- Nontaxable transactions
- Tax-Exempt Customers
 - What types of transactions and customers are exempt?
 - What documentation is necessary?
- Customer Invoice and Contract Preparation
 - Can be prepared to minimize sales and use tax collection

Sales and Use Tax Analysis

- Compliance Issues
 - When to collect sales and use tax
 - When to pay sales and use tax
 - Simplification of compliance process
- Audit Preparation and Strategies
 - Audit assistance
 - Documentation requirements
 - Negotiation techniques



Government Contracting and SBA 8a

Contracting to government sector to increase revenue

Government Contracting Services

- Our Government Contracting Services group understands the financial and contract management requirements of federal contracting as a result of their extensive experience in the procurement process obtained from both the public and private sectors.
- This unique combination of government and industry experience makes our professional staff adept at helping clients address both the regulatory and business contracting issues. As a result, clients receive clear, concise fact-driven analyses and advice with respect federal contract issues.

Government Contracting Services

- Contract claims for terminations, changes and government caused delay and disruption
 - Analysis of entitlement
 - Quantification of contract price adjustment
 - Assistance in preparing proposal for cost recovery
- Cost Accounting Standards
 - Analysis of compliance with CAS rules and regulations
 - Assistance in preparing CAS disclosure statements and cost impact proposals that measure the effect of cost accounting practice changes

Government Contracting Services

– Cost Principles

- Analyze allocability, allowability and reasonableness of costs charged to federal contracts
- Develop forward-pricing and final indirect cost rates
- Provide advice on indirect cost rate methodology
- Assistance in resolving complex issues such as allegations of failure to exclude unallowable costs

– Cost Proposal Preparation and Negotiation Assistance

- Assistance in preparing cost proposals, provide technical support during government fact-finding, and participate in contract negotiations

Government Contracting Services

- Training
 - Tailored training programs on federal contracting
- Federal Contract Disputes
 - Litigation consulting and expert witness services relating to cost allowability, cost allocation, defective pricing, labor mischarging, product substitution and impacts of contract changes and government-caused delays or disruptions
- Fraud and White Collar Crime
 - Assistance with investigations associated with *qui tam* lawsuits and other allegations of contract fraud, asset theft and concealment, embezzlement, accounting irregularities and other criminal acts



Other Innovative Ideas for Increasing Profits

Information is the key to business success

Other Issues

- Like kind exchange programs for tangible personal property
- Choice of entity considerations
- Buy/Sell agreements
- Wealth management for owners, Corporate Executive Programs, Investment Management Consulting, Personal Tax Consulting
- Benchmarking
- Captive Insurance Company

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CH Capital Partners LLC Difference

- Thank You
- *Striving to Inform, Educate and Empower Small and Middle Market Business to create jobs for our fellow Americans*
- *Know who you are working with*