



Professionally speaking

Take the opportunity to deliver presentations

by Roy Eppard, CPM®

After attending a recent Toastmaster's meeting for the first time, I felt confident enough to enter a competition to speak on an impromptu subject chosen by a panel of professional speakers. Subsequent to delivering hundreds of presentations during my career in commercial property management, I felt at ease competing against "seasoned" speakers.

Delivering high-quality industry presentations is a daunting challenge and requires habitual practice. The great news is that subject matter pertaining to real estate management is relatively effortless, once you recognize some fundamental principles.

Begin any presentation with a description of IREM and its importance to the real estate industry. Be certain to detail IREM's ability to accumulate raw data via annual Income and Expense reports, rigorous educational requirements and proactive governmental representation. IREM is the "gold standard" when selecting qualified property management talent. As an IREM Member or candidate, you possess the knowledge and thus the credibility to speak as a professional to the community on a variety of management issues.

GETTING STARTED

Sources of presentation venues are limited only by your imagination. I

have spoken at churches, professional meetings, investor groups, seminars and at homeowners associations, to name a few. For practice, ask your local IREM chapter president if you can make a presentation at a chapter meeting. In addition, participate in seminars offered by professional organizations and be on the lookout for audiences favorable to your degree of expertise. Community activism not only provides a great opportunity to speak but also sheds superior light on our industry.

ence in our society that has expanded to global dimensions. Awareness of what is pleasing in one culture may not be so in another. Friends and family of different international origins could help broaden your horizons paying particular attention to your voice tones and body gestures.

You may wish to consider using PowerPoint or printed graphs as a means of communicating detailed information to listeners and also have methods at hand for remaining in control of the presentation. Be sure to

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PREPARATION AND PRACTICE

Preparing for a presentation can be nerve racking; however, that fear can be alleviated by knowing certain characteristics of your audience. For example, understand your audience's reasons for attending your presentation, so you can accommodate and gratify their specific interests and requirements.

Once you have a workable outline with solid and informative data, rehearse your delivery out loud. Consider your family or friends as potential listeners or critics. Focus on theatrics, voice control and hand gestures. It is important to be aware of the cultural aspects of your audi-

prepare for questions from the audience after your speech. Lastly, keep in mind your professional appearance and dress accordingly.

Professional property management is paramount during unstable real estate market conditions. Extraordinary attention to the details can effectively assist in retaining tenants and provide assurance attractive to investors and owners. As a member of IREM you are in demand by the public, as a professional source of information concerning a broad spectrum of topics. □

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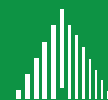
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Cost segregation

Recovering costs to maximize income tax savings

by Paul L. White, CPM®, CCIM

Every property and asset manager has the responsibility to continually improve the cash flow and value of the assets for which they are responsible. With several federal tax court decisions, we now have a valuable tool for increasing the after-tax cash flow of almost any commercial property. Through using cost segregation studies, owners can accelerate depreciation on many components of their properties over 5-, 7- and 15-year life periods.

THE HISTORY

With the passage of the Tax Reform Act of 1986, Congress changed how commercial real estate owners could depreciate their properties from several methods of accelerated depreciation to basically straight line depreciation, with residential proper-

ties having a life of 27½ years, and other commercial properties 31½ years. In 1993, the commercial properties were changed to 39 years. These changes had a significant impact on the after-tax cash flow for owners and contributed to the savings and loan crisis of the late 1980s.

Property and asset managers should review their asset portfolios to determine the potential benefits cost segregation can bring their clients.

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In 1996, *Walgreens (Walgreens Co. & Subs. v. Commissioner, 103 T.C. 582, 1994)* won its challenge before the U.S. Tax Court to the

practice of using a 39½ year cost-recovery period for the improvements in its new free-standing stores, arguing that some of the fixtures and improvements in them should be classified with a shorter life. The IRS acquiesced to this and other similar rulings; however, the judge modified his ruling to state that “in order for the cost segregation study to meet the minimum guidelines, the study had to be completed by individuals competent in construction or building techniques.”

From 1997 to 2004, no clear guidelines existed for engineers to follow in conducting such studies; each study had to be extensive and exhaustive to meet the unknown requirements of the IRS. Few property owners could justify such studies.

In 2004, the IRS issued guidelines on what to look for in a cost segregation study, ultimately eliminating a great deal of unnecessary work for all involved. Cost segregation studies thus became cost effective for owners of both small and large properties.

Cost Segregation Study

Cost segregation studies reveal improvements that can be identified as personal property or specific to the

use of the property. Depending on the classification of the improvements, they may be depreciated typically over 5, 7 or 15 years instead of the normal 27½ or 39 years. This increased depreciation can have a significant impact on the owner's taxable income.

For properties developed or acquired since January 1, 1987, a property owner can have a cost segregation study performed and take the benefit of all prior years' missed depreciation in the current tax year realizing a potentially huge income tax deferral or even refund. Property owners should review the impact of such a deferral with their tax professional to be sure they understand the savings that can be realized—as well as the potential impact—of the depreciation recapture tax when the property is sold.

Property and asset managers should review their asset portfolios to determine the potential benefits cost segregation can bring their clients. Potentially every commercial property acquired or built after January 1, 1987—with a depreciable value of \$1 million that is going to be held for more than a couple of years—could significantly benefit from the resulting accelerated depreciation. □

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