

Don't Order a Cost Seg Study Until You Ask These 5 Questions

Protect yourself from overpriced, low-quality, or unnecessary studies.

Not all cost segregation studies are equal. The difference between a good study and a bad one can mean tens of thousands in missed deductions — or an IRS challenge you're not prepared for.

1. "Is the study based on engineering analysis or just a template?"

Template-based studies use generic percentages regardless of your property. They don't hold up under IRS scrutiny.

What to look for:

- **Component-level cost analysis** (not just category percentages)
- **RSMean or equivalent** cost database reference
- **IRS Audit Techniques Guide** methodology
- **Property-specific adjustments** for age, quality, and location

⚠ **Red flag: Every property gets the same reclassified percentage regardless of type or age.**

2. "What does the report actually include?"

Your CPA needs specific deliverables to file correctly. A vague summary won't work.

What to look for:

- **Component-level depreciation schedules** with MACRS class assignments
- **Land vs. improvement allocation** with documented methodology
- **Executive summary** with reclassified basis and estimated savings
- **Ready for Form 4562 or 3115** — your CPA can file directly

⚠ **Red flag: Provider can't show you a sample report before you buy.**

3. "How much will I actually save — and is it worth the study cost?"

The study should pay for itself many times over. If it doesn't, you probably don't need one.

What to look for:

- Clear ROI estimate before you commit (10x+ return is typical)
- Transparent pricing — not "contact us for a quote"
- Free calculator or estimate tool to preview savings

⚠ **Red flag: Study cost is 50%+ of expected Year 1 savings, or pricing isn't disclosed upfront.**

4. "Do you require a physical site visit?"

Traditional firms charge \$5K-\$15K partly because of on-site inspections. Modern studies use satellite imagery, assessor data, and cost databases to deliver the same result remotely.

What to look for:

- Documented remote observation methodology (aerial imagery, county records, MLS data)
- Multiple data sources cross-referenced for accuracy
- Clear disclosure of methodology in the report itself

⚠ Red flag: Provider charges \$10K+ and claims a site visit is "required by the IRS" (it is not).

5. "What happens if my CPA has questions or needs changes?"

Your CPA may need documentation adjustments or have questions about methodology. Post-delivery support is critical.

What to look for:

- Written guarantee that CPA questions will be addressed
- Free report revisions if your CPA needs format or documentation changes
- Direct access to support — not a call center

⚠ Red flag: No post-delivery support, or revisions cost extra.

AT A GLANCE

Template Study vs. Engineering-Based Study

| | Template Study | Engineering Study |
|---------------------|---------------------|--------------------------|
| Methodology | Generic percentages | Component-level analysis |
| Cost Database | None referenced | RSMMeans 2024 |
| IRS ATG Compliance | Unlikely | Explicitly follows ATG |
| CPA Usability | Requires rework | Ready for Form 4562/3115 |
| Audit Defensibility | Risky | Designed for IRS review |

Cost Seg Smart delivers engineering-based studies from \$795, with 35+ page CPA-ready reports in under 1 hour and a CPA-Ready Guarantee (free revisions if your CPA needs changes).

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