CPE Presentation
August 2026

Cost Segregation & State Tax Credits

STG
SPECIALTY TAX GROUP

STG.CNF.IO

- Navigate to https://stg.cnf.io and tap the session titled "Chattanooga Tax Practitioners"

- OR just point your phone’s camera at the QR code to join directly

Brian E. Wages, CCIP

- Partner at Specialty Tax Group (STG)
- Responsible for the technical operations of State Statutory Tax Credits Certified Credits & Incentives Professional (CCIP) through the Institute of Professional of Taxation (IPT)
- 15+ years of experience in the Specialty Tax Services industry
- Expert: Training Credits, Job Creation Tax Credits; Federal Work Opportunity Tax Credit, R&D Tax Credits, Indian Employment Tax Credit, Investment Tax Credit
- The University of Georgia – Business Management (BA)

Brian Wages, CCIP
Tax Credits & Incentives Specialist
Phone: (770) 855-2770
brian.Wages@specialtytaxgroup.com

STG
SPECIALTY TAX GROUP

Robert R. Kutschke, Senior Manager

- Cost Segregation & Fixed Asset Specialist (STG)
- Tax Senior Manager in the cost segregation department
  - Responsible for cost segregation analysis, comprehensive fixed asset reviews and client management
- ASCSP Member #M033-21
- 4 years of experience in the cost segregation industry
- Georgia Institute of Technology
  - BS in Biomedical Engineering, Economics Minor

Robert Kutschke, ASCSP Member #M033-21
Fixed Asset & Cost Seg Specialist
Phone: (678) 488-3822
Robert.kutschke@specialtytaxgroup.com

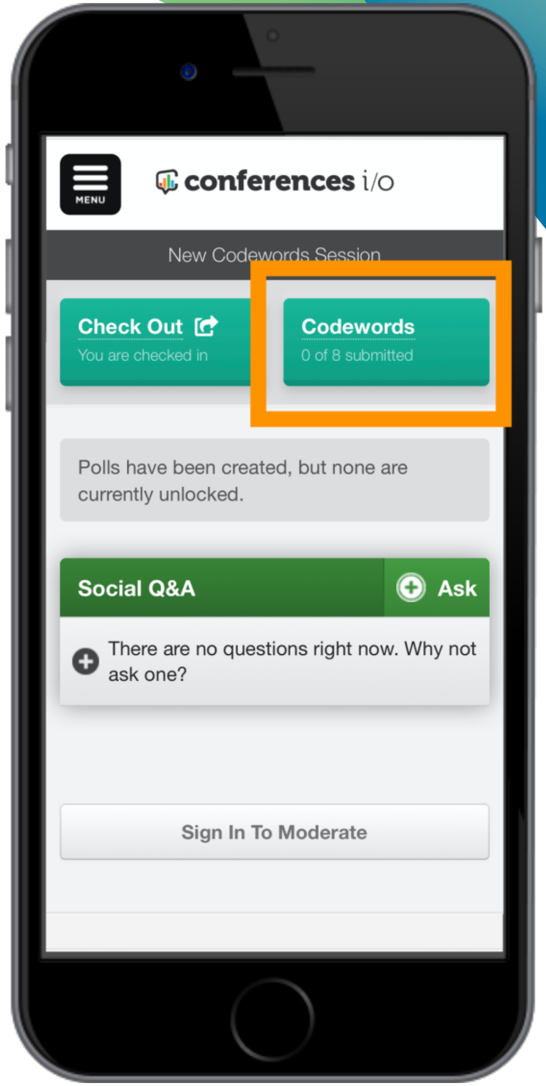
Georgia Tech

STG
SPECIALTY TAX GROUP

Codeword #1

Tax - Credits & Deductions

899



Scan QR code or navigate to https://stg.cnf.io

Agenda

- Cost Segregation
- Georgia Tax Credits
- Tennessee Tax Credits
- South Carolina Tax Credits

Cost Segregation

Cost Segregation

<u>Primary Goal</u>: identify all property-related costs that can be depreciated faster than the Real Property designation (5, 7 or 15 year tax life)

- Earlier deductions increase current year cash flow
- The net present value (NPV) create a time value of money benefit
- Saving a dollar today is worth more then saving a dollar in 27.5 or 39 years from now.

<u>Secondary Goal</u>: establish the depreciable tax value for each major building component. This helps with dispositions during future remodels

- Identifying the value for roof, windows, HVAC, ect
- In future years tax preparers (CPAs) can use the cost segregation report to easily identify the value of “retirement loses” or “partial dispositions”

Triggers for Cost Segregation

- Taxable entity
- Profitable Companies
- Companies looking to improve cash flow

➕

- Newly constructed facility
- Expansion of a facility
- Newly purchased facility
- Large $ amount in CIP
- Many locations (Stat Sample)
- Significant long life property

Benefits of Cost Segregation - STG

27.5 Year

Repairs
Demo Exp
Retirements
Bonus Grouping

5-Year
7-Year
15-Year

<u>27.5-Year</u>

Roof	HVAC
Windows	Ceilings
Doors	Floors
Lighting	Utilities

STG
SPECIALTY TAX GROUP

Section 1250 Real Property (39 or 27.5)

Anything that is permanent or necessary for the operation of the building

- Concrete walls and floors
- Structural steel
- HVAC for human thermal comfort
- Plumbing for HVAC and restrooms
- General building electrical (Non-dedicated to personal property)
- Base building lighting and security lighting
- Doors & hardware
- Drywall
- Roofing
- Windows

Section 1245 Personal Property (Short Life)

- Tangible Personal Property
  - Must not be land or a land improvements
  - Often times these are “movable and reusable”
  - All items of machinery
  - Must not be a structural component
    - Examples: Electrical Conduit and Wiring to Process Equipment, Process Piping, Special Equipment Foundations, Decorative Accent Lighting, Millwork, Carpet/VTC, Blinds

Beneficial Changes under OBBBA (OB3)

- 100% bonus depreciation permanent for most property acquired after Jan. 19, 2025.
- Extends 100% bonus depreciation to a new category of building property typically excluded from bonus depreciation because of 39-year class life – **qualified production property (QPP).** Safe Harbor Notice 2026-16 provides interim guidance (QPP) under IRC §168(n).
  - Used by the taxpayer as an integral part of a qualified production activity
  - Placed in service in the United States before Jan. 1, 2031
  - Its original use commenced with the taxpayer
  - Construction began after Jan. 19, 2025, and before Jan. 1, 2029
  - NAICS drives eligibility: The business code on the last filed return can qualify or disqualify the client
- IRS guidance provided: Newly constructed property PIS in 2025 will be subject to old bonus rules within the TCJA 80% or 60%.
- Significantly reduce taxable income and improve after-tax cash flow

Example – Cost Seg

- $5 million apartment building placed in service in March 2025
- Without a Cost Segregation Study, the costs are depreciated straight-line over 27.5 years.

Purchase Price $5M (excluding land)

Example – Cost Seg

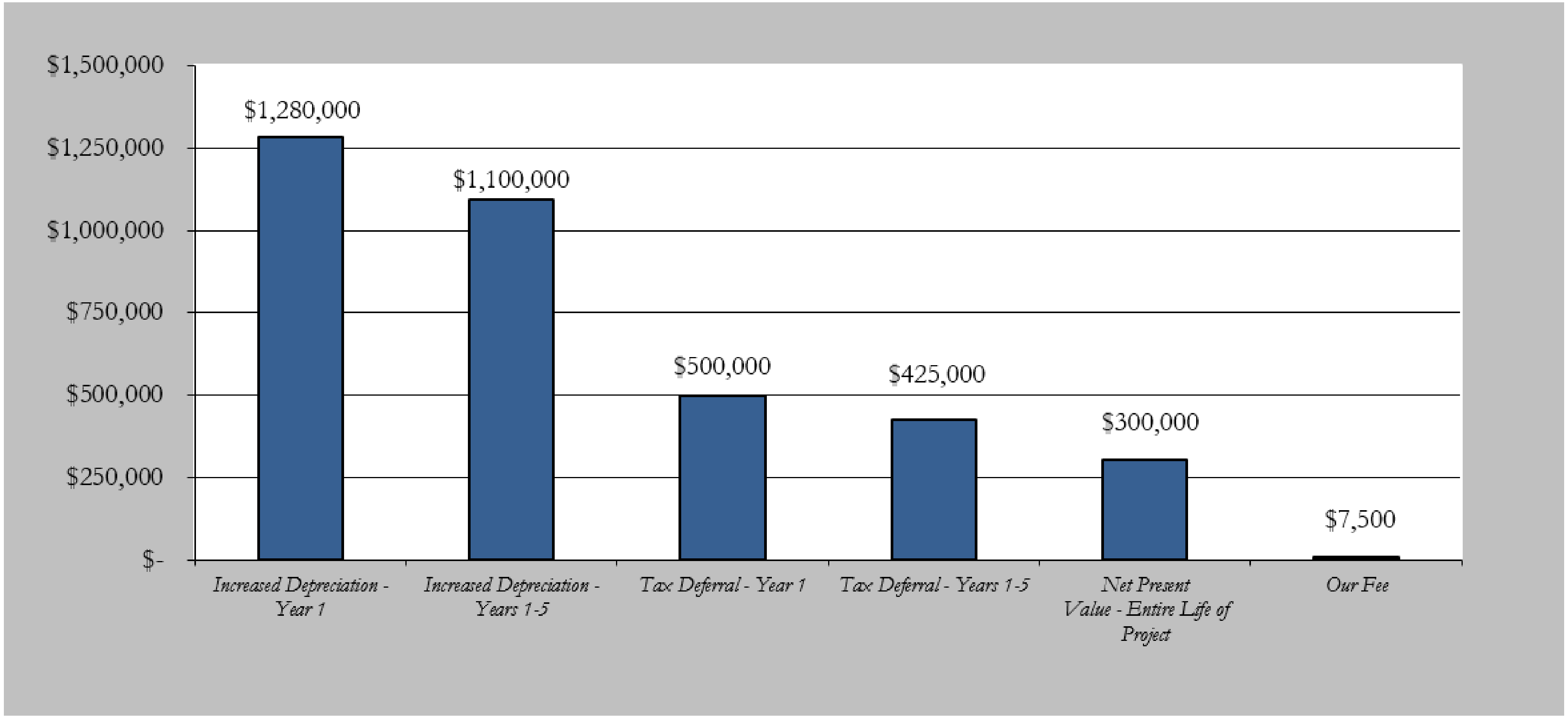
- **<u>Of the $5 Million:</u>**

- $700,000 depreciated over 5 years
- $600,000 depreciated over 15 years
- $3,700,000 depreciated over 27.5 years

- Increased Depreciation Deductions in the first 5 years: $1,100,000
- Short Life assets get 100% bonus (2025 & Beyond)
- Projected NPV Benefits: $300,000

Example – Cost Seg

- Depreciation Deductions by Year - $5M Apt Complex



STG
SPECIALTY TAX GROUP

How to get started

- General Rule – When does Cost Seg start to make sense
  - Basis over $750,000
  - Holding the Property longer then 5 years
- Scalability - STG can do a “Desktop” review for smaller newly constructed projects. It is the Cost Seg version of “calculation only”
- Cost Seg Process:
  - NPV & Benefit Proposal – FREE
  - Data Gathering
  - Data Review / Analysis
  - Site Visit
  - 30-60 Days to complete a study
  - * Accounting Method Change Form 3115
- How can you tell if there is a good Cost Seg opportunity? Complete the RFI ->

SPECIALTY TAX GROUP, LLC
COST SEGREGATION CHECKLIST AND INFORMATION

Project Fee: ______
Project Due Date: ______
Tax Filing Deadline: ______

Entity Name: ______
Entity Address: ______
Project Name and Description/Scope: ______
Project Address: ______
New Construction or Purchase: ☐ New ☐ Purchase
Cost or Purchase Price: ______
Type of Building (e.g., commercial, residential, strip mall, industrial): ______
Costar Report: ☐ Available ☐ Not Available
Building Basis: ______ Source: ______
Land Basis: ______ Source: ______
Lot Size: ______ Square Feet Building Size: ______ Square Feet
No. of Buildings: ______ No. of Stories: ______
Year Built: ______ Placed in Service Date: ______
Tenants/Units (#): ______ (type of tenants, list by SF)

Project Manager: ______ Staff: ______

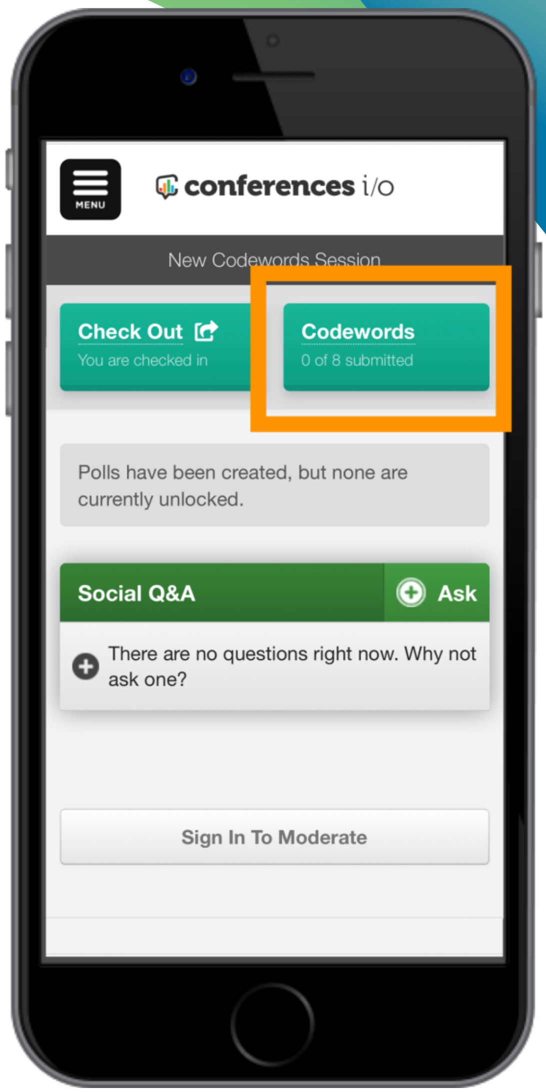
CONTACT ROLES
Contact at Client: ______
Client Phone Number: ______
Client Email: ______

STG
SPECIALTY TAX GROUP

Codeword #2

Tax - Credits & Deductions

391



Scan QR code or navigate to
https://stg.cnf.io

Georgia Tax Credits

Georgia Retraining Tax Credit (RTC)– How to Qualify

- Companies that train their employees to use newly implemented or upgraded (new releases) software or technology (phone apps) or new equipment can claim the Georgia Retraining Tax Credit.
- The method of learning does not matter (only the content) and includes vendor-led, webinars, peer-to-peer, or even on-the-job self-learning.
- The company must file a Georgia income tax return. The credit offsets up to 50% of the Georgia Corporate income tax liability. If the earned credit exceeds that limit, then the unused credit can be carried forward for up to 5 years and applied to future years' tax liability.

Georgia Retraining Tax Credit – How to Calculate

- Equal to one-half of the direct cost of training and allows for a credit of up to $1,250 per qualified employee per year
- The annual maximum of the credit amounts to $1,250 per employee. Eligible expenses include:
  - Employee wages during retraining
  - Costs of instructors (both internal and external) and teaching materials
  - Reasonable travel expenses including flight, hotel, rental car, gas, and even meals
  - Training room technology upgrade costs

STG
SPECIALTY TAX GROUP

Georgia Retraining Tax Credit

- Any industry qualifies for this credit.
- Companies other than manual labor companies have constant software & technology upgrades where updates are pushed out automatically through the cloud.
- Calculation is reviewed (online) and approved by the state prior to filing on the tax return.
- STG has a great relationship with the “approver”.
- The credit has been around since 1994.
- The credit can be claimed annually.

STG
SPECIALTY TAX GROUP

Georgia Jobs Tax Credit – How to Qualify

- Companies within Georgia that are adding headcount (minimum threshold for jobs added year over year starts at 2 FTE's) in the form of expansions, relocations, and even organic growth can qualify for the Georgia JTC in one of two ways:
  - The company must be within a business enterprise (preferred industry) which are manufacturing, warehousing and distribution, logistics, FinTech, software development, processing, telecommunications, tourism, data centers, research and development facilities
  - The company must be located within a special zone such as an Opportunity Zone or Military Zone or within a Tier 1 – Bottom 40 County.
    - Counties and certain census tracts in the state are ranked and placed in economic tiers using the following factors: highest unemployment rate, lowest per capita income; and highest percentage of residents whose incomes are below the poverty level.

STG
SPECIALTY TAX GROUP

Georgia Jobs Tax Credit – How to Calculate

- Credit value ranges from $1,250 to $4,000 per year for 5 years for every new job created as long as the jobs are maintained.
- Georgia has special benefits (credit can be applied to payroll withholding) for companies in Opportunity Zones, Military Zones, or are located in a Tier 1 county.
- Additional bonuses ($1,250 per job) for companies that increase shipments in Georgia ports (Port Bonus)

TIER	JOB TAX CREDIT $ (FOR 5 YEARS)	MIN. NEW JOBS	CREDIT ALLOWANCES	CARRY FORWARD
1	$4,000*	2	100% of tax liability - excess to withholding up to $3,500 per job	5 years
2	$3,000*	10	100% of tax liability	5 years
3	$1,750*	15	50% of tax liability	5 years
4	$1,250*	25	50% of tax liability	5 years

SPECIAL ZONE	JOB TAX CREDIT $ (FOR 5 YEARS)	MIN. NEW JOBS	CREDIT ALLOWANCES	CARRY FORWARD
MZ/OZ	$3,500	2	100% of tax liability - excess to withholding	5 years
LDCT	$3,500	5	100% of tax liability - excess to withholding	5 years

**Includes $500 Bonus for Joint Development Authority (JDA). The majority of counties are in a multi-county JDA.*

STG
SPECIALTY TAX GROUP

Georgia Manufacturer’s Investment Tax Credit

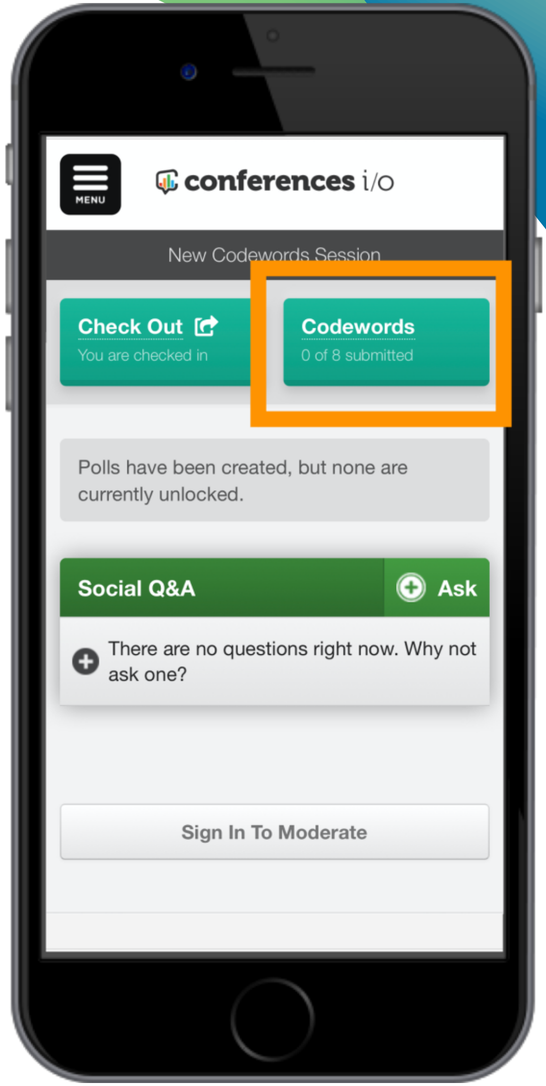
- Must have operated a **manufacturing or telecommunications** facility in Georgia for at least 3 years and make a minimum investment of $100K
- Percentage of new manufacturing and telecommunications equipment costs eligible for the credit
- Percentage is based on location of facility (1%-5%) based on County Tier Ranking
- Additional percentage available for recycling or pollution control equipment as well as use of Georgia Ports (Port Bonus)

STG
SPECIALTY TAX GROUP

Codeword #3

Tax - Credits & Deductions

539



Scan QR code or navigate to https://stg.cnf.io

Tennessee Tax Credits

Tennessee Job Tax Credit

- Requirements
  - Must be a Qualified Business Enterprise (Manufacturing, Warehousing & Distribution, Call Centers, Qualified Data Centers, Headquarters Facilities, etc.)
  - Must make a Capital Investment of at Least $500,000 within 3 Years
  - Must Create a Minimum Number of Qualified Jobs
    - 25 Jobs in a Tier 1 or 2 Enhancement County
    - 20 Jobs in a Tier 3 Enhancement County
    - 10 Jobs in a Tier 4 Enhancement County
  - Must Submit a Job Tax Credit Business Plan and Receive Tentative Approval
- Credit Amount
  - $4,500 for Each Qualified Job
- Utilization
  - Up to 50% of the Taxpayer’s Franchise and Excise Tax (25 Year CF)

STG
SPECIALTY TAX GROUP

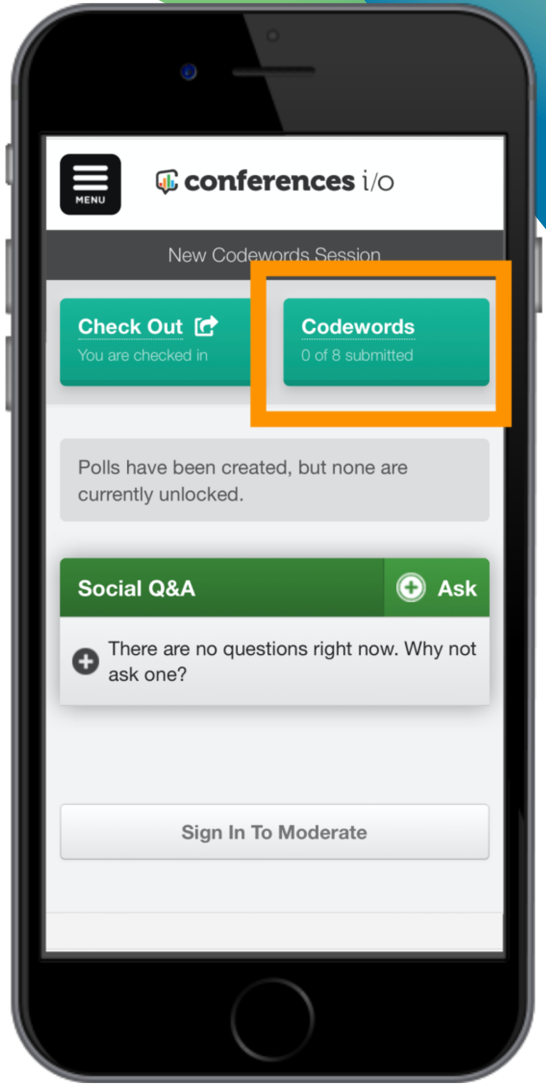
Tennessee Industrial Machinery Tax Credit

- Requirements
  - Must be a Qualified Business Enterprise (Manufacturing, Warehousing & Distribution, Call Centers, Qualified Data Centers, Headquarters Facilities, etc.)
  - Must Make a Capital Investment in Qualified Industrial Machinery
- Credit Amount
  - Generally, 1% of the Equipment Spend (unless investment is $100M +)
- Utilization
  - Up to 50% of the Taxpayer's Franchise and Excise Tax (15 Year CF)

Codeword #4

Tax - Credits & Deductions

781



Scan QR code or navigate to https://stg.cnf.io

South Carolina Tax Credits

South Carolina Jobs Tax Credit – How to Qualify

- Companies must create and maintain a certain number of net new jobs in a taxable year. The number of new jobs is calculated as the increase in the average monthly employment from one year to the next.
- The following types of businesses qualify for the Jobs Tax Credit: Manufacturing and processing, warehousing and distribution, research and development, agribusiness operations and qualifying technology-intensive facilities (must create a monthly average of 10 net new jobs).
- Corporate office facilities housing a majority of the headquarters functions (must create a monthly average of 10 net new jobs).
- Qualified service - (must create a monthly average of between 25 and 175 net new jobs).

South Carolina Jobs Tax Credit – How to Calculate

The value of the credit depends on the county's development tier as set forth below:

County's Development Tier

Tier I	$1,500
Tier II	$2,750
Tier III	$20,250
Tier IV	$25,000

TIER IV	TIER III	TIER II	TIER I
Abbeville	Calhoun	Anderson	Aiken
Allendale	Chester	Berkeley	Beaufort
Bamberg	Clarendon	Edgefield	Charleston
Barnwell	Colleton	Florence	Dorchester
Cherokee	Darlington	Georgetown	Greenville
Chesterfield	Fairfield	Jasper	Lancaster
Dillon	Greenwood	Kershaw	Lexington
Lee	Hampton	Pickens	Newberry
Marion	Horry	Richland	Oconee
Marlboro	Laurens	Saluda	York
Orangeburg	McCormick	Spartanburg	
Union	Sumter		
Williamsburg			

Counties are re-ranked every year based on unemployment rates and per capita income, and the ranking of a county may change from year to year.

South Carolina Jobs Tax Credit

- A county may also join with another county to form a “multi-county industrial park.” Under this arrangement, a county agrees to share the property taxes with a “partner” county. This partnership raises the value of the credits by $1,000 per job, meaning credits from $2,500 to $26,000 per job may be available for qualifying companies.The following types of businesses qualify for the Jobs Tax Credit: Manufacturing and processing, warehousing and distribution, research and development, agribusiness operations and qualifying technology-intensive facilities (must create a monthly average of 10 net new jobs).
- The credit is available for a five-year period beginning with Year 2 (Year 1 is used to establish the created job levels.)
- The credit can be applied against corporate income tax or premium tax but cannot exceed 50% of the year’s tax liability. Unused credits may be carried forward for 15 years.

South Carolina Small Business Jobs Tax Credit

- Company must be a manufacturing, processing, warehousing and distribution, research and development, agribusiness, or qualified technology intensive facility or a corporate office
- Must have fewer than 99 employees worldwide
- Creates a monthly average of 2 net new jobs, instead of 10.
- The company may only get the full credit amount for net new jobs that pay 120% of the county's average hourly rate. For jobs that pay less than 120% of the county's average hourly wage rate, the credits amount lowers to $750 to $12,500 per job

STG
SPECIALTY TAX GROUP

Contact

Brian Wages, CCIP
Phone: (770) 855-2770
Brian.wages@specialtytaxgroup.com

STG
SPECIALTY TAX GROUP