YOUR GUIDE TO SPECIALTY TAX

OPTIMIZING TAX STRATEGY THROUGH OVERLOOKED OPPORTUNITIES

Specialty Tax 101

This guide is meant to be a high-level reference on advanced tax strategies that should be considered for nearly all business owners and/or real estate investors. While general tax compliance is non-negotiable, implementing specialty tax strategies requires proactive analysis and are frequently underutilized.

Four of the most commonly used specialty tax strategies include:

Cost Segregation

Accelerate depreciation on building components to unlock upfront tax savings and improved cash flow

R&D Tax Credit

Claim credits for developing or improving products, processes, or software

Utility Sales Tax Exemption

Eliminate or reduce sales tax on qualifying utility usage and recover prior overpayments

Fixed Asset Review

Identify misclassified or missed assets to correct depreciation and capture additional deductions

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Cost Segregation

Cost Segregation studies are a powerful tool for property owners and real estate investors seeking to maximize tax savings. By reclassifying assets, these studies allow for accelerated depreciation, which can significantly lower taxable income.

Ideal Candidates

Commercial | Multi-Family | Short-Term Rentals

Properties with a basis more than $350,000

Properties placed into service after 2000

Real estate investors or property owners that build, purchase, remodel or expand real estate can generate tax savings

Key Benefits

Take Advantage of Bonus Depreciation

By reclassifying property into 5, 7, and 15 years, property owners can take advantage of bonus depreciation for eligible properties

Accelerate Depreciation Deductions

Accelerate tax deductions early in the asset's life by reclassifying property into 5, 7, or 15-year recovery periods

Improve Cash Flow and Tax Savings

Immediately increase cash flow through current year tax savings by accelerating depreciation deductions

Increase ROI and Future Write-Offs

Invest tax savings to grow your business and take advantage of future write-offs when assets are removed

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Research & Development Tax Credit

The Research and Development (R&D) Tax Credit is an incentive offered both federally and by states to reward companies for investing in innovation. Claiming the R&D Tax Credit requires a comprehensive, engineering-based study conducted by specialists in the field.

Ideal Candidates

Manufacturers and Fabricators

Technology and Software

Engineering, Construction, Architectural Design

Pharmaceutical and Research

Oil and Gas, Tool and Die, Chemical

Qualifying for the Credit

1. New or Improved Business Component or Product
2. Technological in Nature
3. Must Have Experimental Process
4. Must Eliminate Uncertainty

Key Benefits

Dollar-for-dollar reduction of federal and state tax liabilities

Offset payroll taxes for certain companies

Increase cash flow

Credit can be carried back 1 year & carried forward 20 years

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Utility Sales Tax Exemption and Refund

The utility sales tax exemption is state legislation that is used as an economic incentive to encourage manufacturing and production. In 31 states, when utilities are “necessary and integral to production” a company does not have to pay sales tax on those utilities.

Ideal Candidates

Manufacturers requiring significant utilities for production

Agricultural Operations - farms or food processors

Restaurants, specifically restaurant groups in qualifying states

Data Centers who rely heavily on electricity to power operations

R&D companies utilizing utilities for experimental and production processes

Key Benefits

Sizeable Refund

Recover overpaid utility sales tax from prior periods through a detailed, supportable refund claim

Immediate and Perpetual Exemption

A per-meter exemption that removes or reduces sales tax on qualified utility usage, creating savings on current and future bills

Increased Cash Flow

Return recovered dollars to the business to improve liquidity and reinvestment capacity

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Feasibility Triggers

If you or your clients fall into any of these categories, specialty tax savings are likely available. Speak with a reputable specialty tax provider to understand what opportunities may apply.

Purchased or Renovated Commercial Real Estate

Accelerated depreciation through cost seg may improve cash flow

Own Multi-Family or Short-Term Rental Property

Certain property types are especially well-suited for cost seg opportunities

Operate a Manufacturing or Processing Facility

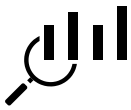
Facility operations often qualify for multiple overlooked tax strategies

Have High Utility Bills Tied to Production or Operations

A portion of utility costs used in production may be eligible for sales tax exemption

Develop, Innovate or Improve Products, Processes, Software

Everyday problem-solving and innovation may qualify for R&D tax credits



Have Never Had a Specialty Tax Review

A simple review can identify overlooked tax savings opportunities

This guide was written by Align Tax Consulting and is provided for informational purposes only. It is not intended as tax, legal, or accounting advice. The applicability of the strategies discussed depends on specific facts and circumstances. Consultation with a qualified specialty tax advisor is recommended prior to implementation.

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