



Hotel Rebranding & Cost Segregation

The Hotel Industry is unique in that like a commercial product a hotel follows a definite life cycle. If a hotel owner does not keep this in mind, their facility can quickly become worn out and dated in comparison to their competition. To stay competitive, Owners must acknowledge that there will be constant new brand competition. A newer, swankier hotel that offers the latest amenities to its guests will quickly put an outdated hotel out of business. This fact leaves few options of staying competitive for a hotel owner. The most prominent option would be to rebrand. What does "rebranding" entail?

Rebranding can be a broad term ranging from a simple revamping of a logo but more often is a much larger undertaking with the ultimate goal of retaining guest loyalty and awareness. Rebranding is especially important today because of major social, environmental and technological changes that have taken place over the past five years. For example, five years ago wifi throughout a hotel was rare, flat screen televisions were a novelty, the expectation of a hot breakfast almost unheard of, and eco friendly was a word most people were unfamiliar with. All of those ideals have changed, and are now an expectation for most travelers. This new expectation has forced hotel brands to insist their franchises undertake multi million dollar rebranding to live up to their flag.

What does this mean for Hotel Owners?

There is a little known opportunity for Hotel Owners that would directly affect the rebranding of their organization. The opportunity is Specialized Tax Incentives, specifically:

- Engineering Based Property Cost Allocation (Cost Segregation)
- Property Tax Reductions
- Various Energy Based Credits
- Bonus Depreciation

Specialized tax credits are an essential fiduciary component when building, purchasing or renovating a hotel or motel. These credits affect rebranding and the constant renovation of non-structural components of their building such as:

- Carpeting / Flooring
- Decorative Lighting
- Cabinetry
- Dedicated Electrical & Plumbing Systems
- Power Generators
- Security Systems
- Wifi / Internet Cabling
- Parking Lots
- Curbs
- Sidewalks
- Landscaping
- Fountains
- And many more...

A Cost Segregation Study is an engineering based tax analysis in which these types of components are broken out and allocated to a shorter life class, depreciating them at an accelerated rate. This means a building purchased, constructed or renovated since January 1, 1987 and costing in excess of \$500,000 should have all improvements and renovations qualifying based on their individual completion dates. So, every hotel having performed renovations through rebranding within that time frame have a potential benefit sitting on the take just waiting to be captured!