EINPRESSWIRE

Real, Tangible, and Intangible Property in Cost Segregation

O'Connor discusses real, tangible, and intangible property in cost segregation.

O'CONNOR
Tax Reduction Experts

Real, Tangible, and Intangible Property in Cost Segregation

HOUSTON, TX, UNITED STATES, August 6, 2026 /EINPresswire.com/ --

While cost segregation has never been more efficient in saving business owners on federal income taxes, there are still many misconceptions when it comes to what property can and cannot be included in cost segregation. While most property can be broken down into categories of five, seven, and 15-year depreciation, not all types of property can be used to reduce taxes. Cost segregation needs to be exact, as using ineligible property can result in audits by the IRS and possible consequences.

While having an expert can accurately shift all of the property into the proper timeframe categories, there is another matter that must be looked into. That is the fact that cost segregation can only be used for real property and tangible property, while excluding intangible assets. O'Connor will cover the different types of property and how they can or cannot be used in cost segregation.

Real Property

According to the IRS, real property is reserved for land and permanent structures on it. For cost segregation purposes, these assets typically fall into depreciation schedules of either 27.5 years or 39 years. Originally, entire pieces of business real estate were treated as these unified blocks for depreciation, before cost segregation revolutionized the reduction of federal income taxes.

Separating tangible property from real property is one of the primary reasons that a cost segregation study is used in the first place.

Real property includes:

Buildings
Land
Permanent structures
Property that cannot be moved

Tangible Property

This is the heart and soul of cost segregation and the main driver behind depreciation. This is property that can be felt, interacted with, and physically moved. Due to their nature, these assets can be separated into depreciation timeframes of five, seven, or 15 years. While these are separated from the building or real estate itself, they can still be parts of the building or the property as a whole.

For instance, carpeting, lighting, fixtures, flooring, and furniture could all be considered a part of a building, but they are separated as tangible property. Things such as fencing, landscaping, pavement, and parking areas may seem like a part of the land itself, but can be broken down on their own as well.

Other types of tangible personal property include:

Vehicles
Machinery
Appliances
Flooring
Computers
Furniture
Signage
HVAC Systems
Ductwork
Boilers and water heaters

Intangible Assets

Unlike real or tangible property, these assets cannot be used for cost segregation. In most states, these assets are also separated from business personal property. The value of these items cannot be used to calculate savings or shield a business from federal income taxes.

In general, these are business assets that cannot be touched. Since this includes software, it can often be hard to differentiate between a tangible asset and an intangible one. For instance, computers or servers would be eligible for cost segregation, while the software in them would not. In an increasingly digital world, the ability to separate the three types of asset is paramount.

Intangible property includes:

Software
Warranties
Contracts
Patents
Intellectual property

The Extended Federal Deadline is Approaching

While the original deadline for filing taxes was April 15, many businesses have filed extensions, which will see a new final date of October 15. While this means there is still time to plan, complete, and verify a cost segregation study, the window is rapidly closing.

A study is certainly something property owners want to get right, as it may face an audit. Focus should be given to accurately separating real, tangible, and intangible property, as mixing the two is often the first mistake most businesses make when deciding to explore this avenue of tax reduction.

Why a Professional Study Matters

Separating real, tangible, and intangible property can be a very difficult task, which is why many CPAs know about cost segregation but do not mention it to their clients. The IRS generally prescribes an engineering approach when it comes to cost segregation, and that requires an experienced team that knows how to properly break down an entire piece of real estate into its individual assets.

The minutiae and complexity of cost segregation can be difficult for novices to master, and even experienced tax experts often make mistakes that leave tons of potential depreciation on the table.

About O'Connor:
O’Connor is one of the largest property tax consulting firms, representing 185,000 clients in 49 states and Canada, handling about 295,000 protests in 2024, with residential property tax reduction services in Texas, Illinois, Georgia, and New York. O’Connor’s possesses the resources and market expertise in the areas of property tax, cost segregation, commercial and residential real estate appraisals. The firm was founded in 1974 and employs a team of 1,000 worldwide. O’Connor’s core focus is enriching the lives of property owners through cost effective tax

reduction.

Property owners interested in assistance appealing their assessment can enroll in O'Connor's Property Tax Protection Program ™. There is no upfront fee, or any fee unless we reduce your property taxes, and easy online enrollment only takes 2 to 3 minutes.

Patrick O'Connor, President
O'Connor
+1 713-375-4128
email us here
Visit us on social media:
LinkedIn
Instagram
Facebook
YouTube
TikTok
X
