



CASE STUDY

Small CPA firm taps CSP360 to defend and grow \$6 million client base

Cost segregation studies help firm retain and attract franchise clients

BACKGROUND

A three-partner accounting firm that specializes in franchise accounting and taxation serves about 150 owner-operators of a fast-food chain, representing roughly 1,000 stores and roughly \$6 million in billings for the CPA firm.

CHALLENGE

Competition is fierce for the accounting and tax business of these operators. With other CPAs regularly knocking on its clients' doors, this small firm was feeling considerable fee pressure. To protect its client base, the firm needed to offer a service that would differentiate it and demonstrate that its CPAs offer value far beyond their fees.

SOLUTION

The solution existed in the form of the firm's strategic partnership with CSP360, through which the firm provides a variety of engineered tax solutions and tax incentive discovery programs to minimize its clients' taxes—all under the CPA firm's own brand.

The CPA firm regularly taps into the qualified CPAs and engineers of CSP360, including offering a series of cost segregation studies that slashed the out-of-pocket costs for each franchise operator.

A few years back, the fast-food flagship had required every store to undertake a renovation project that would cost in the range of \$150,000-\$200,000 per store. Traditionally, the cost of this project would have been depreciated over 39 years. Drawing on CSP360's knowledge, the CPA firm showed its client base that many of the components were actually nonstructural elements that qualified for 5- to 7-year depreciation.

RESULTS

By reviewing blueprints and plans for each store's renovation, CSP360 found that, on average, 80% of the costs qualified for accelerated depreciation—resulting in a tax deduction of about \$120,000. But they didn't stop there.

On top of the cost segregation study, CSP360 also performed an abandonment study on the book value of the underlying assets being replaced (floor, ceiling, walls, drains, etc.), for another \$80,000 tax deduction. Between the cost segregation and abandonment studies, the CPA firm and CSP360 were able to reduce each store's tax bill by about \$80,000. Since the average operator owns about 10 stores, each one saw the out-of-pocket cost of the renovation project drop from almost \$2 million to around \$600,000.

The results were just as satisfying for the CPA firm. In addition to defending its client base and fending off lower-rate competitors, CSP360's cost segregation expertise helped the CPA firm pick up three additional franchise operators.

Of course, the CPA firm knows better than to rest on its laurels. This year, the CPA is going on the offensive with a podcast on the recently finalized repair regulations, which will be open to all of the fast-food chain's franchise operators. The key message: By performing a 263(a) review of all fixed assets, most operators will be able to wipe out their taxable income for the year.

LESSONS LEARNED

This experience reinforced for this CPA firm the power of tax-minimizing solutions to build its franchise accounting practice. Among the lessons that they learned:

- To survive in the cutthroat franchise market, CPA firms need the competitive edge of tax-minimizing services such as cost segregation. Without the qualified CPAs and engineers of CSP360, the small CPA firm would have had to either drop its rates or lose a huge chunk of its client base.
- Trust is essential to delivering quality engineered tax solutions. Cost segregation and 263(a) studies require an in-depth review of an operator's tax situation and business structure. Because of their long-established strategic partnership, these CPAs had the confidence to entrust their clients' sensitive and proprietary documents to CSP360, without which the CPAs and engineers would not have been able to deliver such impressive results.

Are competitors encroaching on your client base? CSP360 can help your CPA firm fend off that competition through private-labeled engineered tax solutions and tax incentive discovery programs. Call us at (800) 591-0148 to learn how.

