

Cost Segregation Audit Checklist for CPAs

15-Point Verification Checklist — Aligned with IRS ATG (Publication 5653)

Use this before filing any cost segregation study. Covers the 13 principal elements the IRS looks for.

Basis & Allocation

- 1. Verify depreciable basis = purchase price minus land allocation
- 2. Confirm land allocation methodology is documented and reasonable
- 3. Check total allocated costs reconcile to depreciable basis (within \$1)

Classification & Authority

- 4. Verify each component has an IRS asset class assignment (Rev. Proc. 87-56)
- 5. Confirm 5-year/7-year classifications cite legal authority (Whiteco test)
- 6. Verify indirect cost allocation methodology and rate are documented

Timing & Eligibility

- 7. Check bonus depreciation eligibility for each recovery period class
- 8. Confirm placed-in-service date matches acquisition records
- 9. Review construction type classification for accuracy

Filing & Compliance

- 10. Verify Form 3115 requirements if this is a change in accounting method
- 11. Check for separately acquired assets that should be excluded from study
- 12. Confirm Section 1245 vs 1250 recapture treatment is documented

Documentation & Deliverables

- 13. Review depreciation schedules for MACRS compliance (method, convention, period)
- 14. Verify fixed asset schedule is CPA-ready for direct entry into tax software
- 15. Confirm study includes audit defense documentation

REVIEWER NAME

FIRM

SIGNATURE

DATE

