

TY 2025 CHECKLIST:

REAL ESTATE TAX INCENTIVES AND STRATEGIES

The wide variety of real estate tax opportunities available can be overwhelming. To make sure you've considered all potential sources of benefit, review our expansive checklist.

Accelerated Depreciation

- Look-back studies via 3115, best results achieved for properties in service under 15 years
- Recall depreciation potential inherent in 754 Step Ups and 1031 Exchanges, as well as tax-exempt property

Bonus Depreciation

- 100% for properties placed-in-service on/after 1/20/2025 under the One Big, Beautiful Bill Act (OB3)
- Option to elect 40% depreciation instead for the first tax year ending after 1/19/2025
- Projects placed-in-service before 1/20/2025 are subject to depreciation under the TCJA
 - 80% for properties placed-in-service in 2023
 - 60% for properties placed-in-service in 2024
 - 40% for properties placed-in-service between 1/1/2025-1/19/2025

Bonus-Eligible QIP (Qualified Improvement Property)

- QIP placed-in-service on or after 1/1/2018 is 15-year property and bonus-eligible – major implications for renovations/retrofits

Qualified Production Property (QPP)

- Portion of non-residential real property used directly to manufacture, produce, or refine tangible personal property (a substantial transformation of the property must occur)
- Temporarily eligible for 100% bonus if:
 - Construction commences / acquisition occurs between 1/20/2025 - 12/31/2028; and
 - Property is placed-in-service before 1/1/2031
 - Acquisition only: Property must have never been used by taxpayer, and must have not been used in a qualified production activity between 1/1/2021 - 5/12/2025

Expensing Options under the Tangible Property Regulations (TPRs)

- DeMinimus Safe Harbor (Itemized invoices will be helpful)
- Small Taxpayer Safe Harbor
- Routine Maintenance Safe Harbor (via 3115)

BAR and Materiality Testing (for Expensing Decisions under the TPRs)

Partial Asset Disposition (PAD Election)

- Must be elected in the year the asset was removed from service
- Subject to 280B Demolition Rules

Section 179 Expensing Election

- Overall Expensing Dollar Limitation for TY 2025: \$2.5M
- Phase Out Threshold for TY 2025: \$4M
- Must be taken the year the work is placed-in-service

1031 Exchange

- Possibility of associated 15% Safe Harbor

EPAct 179D Deduction

- Legacy program (max deduction of \$1.88/SF, partial deductions permitted) in effect for properties placed-in-service 2006-2022
- IRA (Inflation Reduction Act) provisions in play for properties placed-in-service in 2023 and beyond. Construction must commence by 6/30/2026 (OB3 sunset date.) Benefit of up to \$5.81/SF dependent on energy efficiency and satisfaction of Prevailing Wage and Apprenticeship Requirements (PWA). (Value adjusts annually for inflation)

ITC | CEIC (Renewable Energy System Credits)

- Projects begun after 1/30/2023 have a base Credit amount of 6%, with a 30% Credit possible if PWA Requirements are met
- Projects must be placed-in-service by 12/31/2027 (OB3 sunset date)
- Sunset applies to solar and wind projects only

EV Recharging Station Credit

- Base Credit amount of 6% with boost to 30% if PWA Requirements satisfied
- Property must be placed-in-service by 6/30/2026 (OB3 sunset date)

LIHTC (Low-Income Housing Tax Credit)

- 4% credit (30% subsidy) for acquisitions, rehabs
- 9% credit (70% subsidy) generally for new construction and major rehabs without additional federal subsidies

State-Specific Incentives

Land Allocation

- Typically required in most property acquisitions
- FMV most defensible approach

