

While real estate is typically viewed as an appreciating asset in the eyes of investors, from a tax perspective, the components of the building are depreciating assets that are eligible for tax write-offs over their useful life.

The Tax Cuts and Jobs Act (“TCJA”) of 2017 changed/enhanced a number of tax items that affect businesses in an effort to promote investment and stimulate the economy. The One Big Beautiful Bill, signed into law on July 4, 2025, permanently restored depreciation under the 2017 Tax Cut and Jobs Act to 100% effective for properties purchased on January 19, 2025 or later.

One such area that is particularly beneficial to real estate investors is accelerated or “bonus” depreciation which allows businesses to immediately deduct a larger percentage of the purchase price of “qualified property” rather than stretching out the deductions over the useful life of the asset.

## What counts as “qualified property”?

Typically, real estate investors looking to defer income taxes have relied on Section 1031 Exchanges (and in recent years, QOZ funds) to defer recognizing gains. However, bonus depreciation has become a contender that more real estate investors are opting into.

But not all investable real estate qualifies for bonus depreciation. That is because bonus depreciation can only be applied to a business’s assets that:

**01** Are eligible for depreciation under the modified accelerated cost recovery system (“MACRS”)

**02** Have a MACRS recovery period of 20 years or less

A great example of qualifying properties captured within the TCJA are gas stations/convenience stores and car washes. By purchasing a qualified real estate asset, the investor is generally eligible for significant bonus depreciation on the entire purchase price of the asset, as well as MACRS depreciation on the remaining asset basis.

This means that not only can the entire structure, including the retail building, be depreciated over a 15-year straight-line period, but certain specific assets integral to the operation of a gas station can also follow this accelerated depreciation schedule. This includes the underground fuel storage tanks, pump islands, canopy, special electrical for pump operation and signage.

When the investor has held the asset long enough, the sale proceeds may even be used to purchase a DST or other real property in a Section 1031 exchange, thus further deferring the recognition of gain.

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## Cost segregation study **is key**

By completing a cost segregation study, gas stations, convenience stores or cash washes can take the maximum allowable bonus depreciation in the first year a property is placed into service.

- Fully deducting these costs can create a tremendous benefit since it can allow owners to create a tax loss (thereby eliminating taxes owed).
- Any tax losses not used in the current year can be carried forward.
- The write-off can be taken against active or passive income.
- For passive real estate investors in a syndicated fund, the federal tax write-offs from depreciation pass through to members (aka passive losses). Passive losses can offset the passive income the invested asset generated, but can also offset passive income and passive gains generated by other assets in an investor's portfolio.

### Net Tax Example Using Bonus Depreciation: **\$150,000 Investment**

	NO INVESTMENT	WITH FUND INVESTMENT <sup>1</sup>
GROSS INCOME	\$750,000	\$750,000
FUND INVESTMENT	\$0	\$150,000
WRITE OFF GENERATED	\$0	\$330,000
ADJUSTED GROSS INCOME	\$750,000	\$420,000
TAXES DUE	\$337,500	\$189,000
TAXES ELIMINATED	\$0	\$148,500

## Why **Invest Now?**

### Permanent 100% Bonus Depreciation

The **One Big Beautiful Bill Act (2025)** permanently extends **100% bonus depreciation**, allowing investors to:

IMMEDIATELY EXPENSE	MAXIMIZE TAX SAVINGS	ENHANCE CASH FLOW
the cost of qualifying assets (e.g., buildings, equipment, fixtures) in Year 1.	by reducing taxable income, potentially creating net operating losses (NOLs) to offset future taxes.	for reinvestment, with no cap on deductions, unlike Section 179 expensing.

This enduring tax benefit, retroactive to January 20, 2025, makes gas station investments exceptionally attractive, especially for high-net-worth individuals and pass-through entities.

<sup>1</sup> The Tax Cuts and Jobs Act (TCJA) provisions, including those allowing for accelerated depreciation such as 100% bonus depreciation were permanently extended for properties purchased on or after January 19, 2025, on July 4, 2025, when President Trump signed the "One Big Beautiful Bill."