

Clarion Calls: Enduring Tax Benefits of Real Estate

U.S. Real Estate: The Darling of the Federal Tax Code

What You Need to Know

- ✓ U.S. real estate has historically benefited from a favorable federal tax framework
- ✓ Provisions in the tax code create powerful incentives for long-term investment growth
- ✓ Additional tax benefits were incorporated into recent legislation, ensuring permanent status for several real estate tax provisions



Key Existing Real Estate Tax Provisions

› Tax Shielded Depreciation

- Investors can utilize various forms of return of capital (such as depreciation) to significantly reduce taxable income.

› Advantageous Income Treatment

- Rental real estate can qualify for a 20% Qualified Business Income (QBI) deduction on earnings generated from the net operating income of the investment.

› Capital Gains Deferral

- Tools such as Qualified Opportunity Zones (QOZ) and Section 1031 Exchanges allow investors to defer capital gains taxes, enhancing long-term portfolio growth.

Additional Future Benefits From 2025 Tax Legislation

› Permanent Extensions Include

- **QOZ Program:** Reinstatement of sunseting tax benefits and update to qualifying zones based on 2020 census.
- **QBI Deduction:** A 20% deduction for qualifying taxable income is now permanent.
- **100% Bonus Depreciation:** Businesses can fully deduct the cost of qualifying property placed in service after January 19, 2025; this can include machinery, technology, certain vehicles, furniture, and qualified improvements to real estate assets.

› Reinstatement of State and Local Tax (SALT) deduction for businesses, including real estate ventures, which eliminates previous caps on full deductibility.

Source: One Big Beautiful Bill Act

This material does not constitute tax or legal advice. Investors should consult with a tax advisor to determine whether a real estate investment would be eligible for these benefits. The above refers to federal tax benefits; potential deferral of state tax subject to state tax laws.

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