



BMSS Presents:

A Real Estate Industry Update



JULY 24, 2025

8:30 A.M. TO 10:00 A.M.



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A REAL ESTATE INDUSTRY UPDATE



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Tax Cliff Avoided – Tax Rates

- TCJA individual income tax rates are made permanent
- Applies inflation adjustment to 10%, 12% and 22% brackets
- Made permanent

QBI Deduction

- 20% Qualified Business Income (QBI) Deduction
- Made permanent (was set to expire after 2025)

Accelerated Depreciation is Back

BONUS DEPRECIATION EXPENSING

- 100% of year 1 expensing of certain business property
- Assets with a 20 year or less depreciable recovery period
- Applies to property placed in service after 1/19/25
- Made permanent

Accelerated Deprecation is Back – cont'd

SECTION 179 DEPRECIATION EXPENSING

- 100% of year 1 expensing of certain business property
- Assets with a 20 year or less depreciable recovery period
- Applies to property placed in service after 12/31/24
- Max deduction increased from \$1m to \$2.5m (indexed for inflation)
- Made permanent

Excess Business Losses

- Deduction limitation for “excess” business losses
- Defined as cumulative net losses from pass-through businesses in excess of threshold amounts
- Limitation is indexed for inflation starting in 2026
 - For 2025: \$313k Single/\$626k MFJ
- Made permanent

State and Local Tax Deduction Is Back (Sort Of)

- SALT deduction is increased
- Max of \$40k and Min of \$10k
- Pass-through entity tax work around is still in play

Deductions That Are Going Away

- Energy efficient commercial building deduction (Section 179D)
- No deduction for building construction that begins after June 30, 2026.

Estate Tax Exemption

- Estate and gift tax exemption is \$15m (indexed for inflation)

IRS Trends

- Swing away from enforcement and more to service
- Low morale
- More case loads with a reduced less experienced workforce
- Could lead to more compromise to keep things moving
- Longer response times

Other Items

- Tax on the gain from sale of farmland to a farmer can be paid over 4 years
- Form 1099 reporting threshold increased from \$600 to \$2,000
- No change to tax on gain from the sale of a primary residence
- Sec. 1031 exchanges are always a consideration

REAL ESTATE TAX ISSUES FOR 2025



July 24, 2025





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ABOUT US



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in 2007, McGuire Sponsel is a trusted tax and advisory partner to more than 500 CPA and real estate firms nationwide

BEYOND COMMON PRACTICES

-  Cost Segregation & Energy Studies
-  R&D Tax Credits
-  Transfer Pricing
-  Site Selection
-  Property Tax
-  International Tax Compliance

Phoenix, AZ | Dallas, TX | Indianapolis, IN (HQ) | Detroit, MI | Atlanta, GA





FIXED ASSETS

- **Cost Segregation**
- Fixed Asset/Depreciation Management
- 179D Tax Deduction
- 45L Energy Efficient Tax Credit
- **Property Tax**
- IRA Credits



R&D TAX CREDIT

- **State and Federal Tax Credit Studies**
- Retroactive Studies
- Current Year Reviews
- Tax Credit Review
- Federal and State Audit Defense & Risk Advisory



GLOBAL BUSINESS

- Global Expansion
- Global Structuring
- Cross-Border Transactions:
 - Operational
 - M&A Transactions
 - **Transfer Pricing Studies**
- International Tax Planning:
 - IC-DISC
 - **International Tax Compliance**



LOCATION ADVISORY

- **Site Selection**
- State and Local Incentive Management
- Single or Multi-Site Incentive Benefit Analysis
- **Incentive Procurement**
- Compliance & Reporting



AGENDA

- OBBS Update
- Cost Seg Strategies for 2025
- Other Key Areas to Consider



OBBB

Overview



CHANGES TO ENERGY CREDITS



EV Credits

- Expiring After Sept. 30, 2025

25E

30D

45W

- Expiring June 30, 2025

30C

Production Tax Credits (45Y)

- Wind and solar would have to begin construction within one year and be placed in service by Dec. 31, 2027
- Non-wind and solar would phase out after 2032

Investment Tax Credit (48E)

- Wind and solar would need to begin construction within one year and be placed in service by Dec. 31, 2027
- Changes to domestic content starting June 16, 2025





179D & 45L

179D

- Terminated for construction which begins after June 30, 2026
- Assumption is that construction safe harbor rules will apply
- 5% construction needs to take place to qualify

45L

- Terminated on June 30, 2026
- Based on “acquisition date” (45L(h))





OPPORTUNITY ZONES

- Made permanent
- Year of inclusion
 - Date sold
 - 5 years after investment made
- If held for 5 years prior to 10% of gain is forgiven (30% in the case of rural zones)
- Maintains 10-year gain forgiveness



BONUS DEPRECIATION – CHANGES IN BILL

Bonus to be renewed at

100%

- For property acquired on or after January 20, 2025
- 100% bonus permanent
- Subject to binding contract restrictions!

- Property acquired before January 20, 2025, subject to old rules





Manufacturing Area
Qualifies



Office Area
Does not qualify

PRODUCTION PROPERTY

- New allowance for Qualified Production Property (QPP)
 - Must meet “original use” test
 - Construction must begin after January 19, 2025
 - Production of qualified product defined as Tangible Personal Property
- Does not include offices, administration, research areas, etc.



OTHER POTENTIAL DEPRECIATION RELATED ISSUES



163(j)-Interest Limitation

- 30% of Adjusted Taxable Income (ATI)
- ATI originally tied to EBITDA
- Currently Tied to EBIT
- Returns to EBITDA for starting in 2025



179 Expensing

- Increases to \$2.5 million
- Phase out begins at \$4 million
- No changes to qualifying criteria



Cost Seg Strategies



COST SEGREGATION



- Reclassifies assets

- Business properties acquired through purchase, new construction, renovation, or leasehold improvements

- ✔ Building components can be depreciated over 5-, 7-, and 15-year class lives



Results = substantial cash flow benefits



WHEN A STUDY MAKES SENSE



-
- Purchased or constructed a building > \$750,000



-
- Made renovations to your facility > \$200,000



-
- Depreciation records for numerous fixed assets



CASE STUDY

AUTO DEALERSHIP



APPROACH/PROCESS

- Leveraging expertise in engineering, construction, architectural design
- Leveraging in-depth understanding of IRS depreciation guidelines
- Meticulous site inspections; thorough review of property documentation
- Successfully reclassified over 30% of the depreciable basis into 5- and 15-year property
- Personal property assets (all bonus depreciation eligible) accounted for over \$1.25M

OBJECTIVE

- Comprehensive cost segregation study for dealership acquired in 2023 for \$8M

RESULTS

Increased first-year
cash flow over

\$380K

Value of cash flow
over investment
lifetime exceeding

\$270K



PLANNING OPPORTUNITIES



When is a study most beneficial?

 Year placed in service

 3115 vs amended return

Conversion of space – commercial to residential

 When to hit 80% test

 QIP in renovation



RISK OF WAITING



- Due to depreciation being an “accounting method,” adjustments are done on a current return (through a 3115)

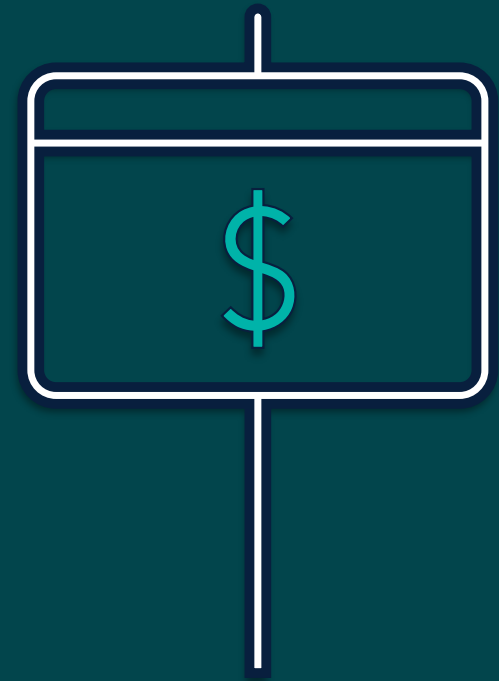
Post-TCJA carryback NOLs are prohibited

- Temporarily changed under the CARES Act
- Can be carried forward indefinitely, offsets 80% of taxable income

- If income drops, deductions may become less valuable



Other Key Areas In Property Tax



REAL PROPERTY SERVICES

Valuation of real estate



- Local (county) officials
- Three methods: **Cost** **Market** **Income**
- Assessors use “mass appraisal” techniques:
 - Computer modeling based on sales
 - Additive construction costs

Overvaluation is common



- Condition issues rarely accounted for by assessors
- Obsolescence is rarely applied in mass appraisal techniques
- Income is rarely utilized in assessments
- Mistakes are common in assessor records



BMSS Industries and Services

Here are a few of the ways that BMSS Advisors & CPAs can assist you:

INDUSTRIES

- Construction
- Consumer Business
- Film & Entertainment
- Financial Services
- Government & Municipality
- Government Contracting
- Healthcare
- Manufacturing & Distribution
- Medical & Dental Practices
- Nonprofit
- Oil & Gas
- Private Equity & Venture Capital
- Professional Services
- Real Estate
- Technology & Software
- Transportation

SERVICES

- Accounting & Auditing
- Business Advisory & Consulting
- Business Turnaround
- CFO Advisory
- Client 361
- Entrepreneurial Operating System® (EOS)
- Human Resources
- Transaction Advisory
- Turnaround
- Valuations
- Client Accounting Solutions (CAS)
- Continuing Professional Education
- Employee Benefit Plan Audits
- Estate & Trust Planning
- Foreign Assets
- Peer Reviews
- Research & Development Credits
- State & Local Tax
- System & Organization Controls
- Tax Planning & Compliance

Questions?

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*If you have a question that you'd like to ask, please use the **Q&A Button** at the bottom of your screen.*

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