

## Real Estate Industry Gains Financial Incentives for Property Improvements

By Erick Cutler, CPA

Much is written about the Economic Stimulus Act for consumers, but a significant benefit is also available in the act for construction cost depreciation.

A “bonus” depreciation schedule is available for landlords and commercial tenants who complete capital improvements to residential or commercial rental property by the end of 2008. The 2008 write off is a generous 50 percent of the costs for qualified leasehold improvements. The remainder of the cost is written off in declining increments over 15 years.

Improvements completed after 2008, however, revert back to the previous schedule. The prior write off is only 2.5 percent of the cost in the first year, with the remaining spread over 39 years.

For example, a \$2 million construction cost will mean a \$1 million deduction the first year in 2008 vs. a \$50,000 deduction if completed in 2009 or later. It clearly pays to make commercial or rental property improvements a priority investment for 2008. Incentives are also available for owners who make environmentally friendly improvements.

Businesses best able to seize the write off opportunity include:

- Projects already under construction
- Commercial tenants planning a move to different space
- Residential property owners who want to update properties, making them more marketable
- Businesses such as retail and restaurants, for whom a first year success is often make or break

It's always wise to consult a qualified tax accountant before making significant changes or investments. Business financial strategy and goals are an important element in deciding how or whether to take advantage of the Economic Stimulus Act. Call your Goldin Peiser & Peiser representative at 972-818-5300 for more information.

Erick Cutler is a partner with Goldin Peiser & Peiser, LLP. He works with many clients across the real estate industry, specializing in tax strategies including cost segregation.

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