

TY 2022 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 between 9/28/17-12/31/2022
- Acquired assets eligible under the TCJA

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

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 2022: \$1.08M
- Phase Out Threshold for TY 2022: \$2.7M
- Must be taken the year the work is placed-in-service

1031 Exchange

- Possibility of associated 15% Safe Harbor

EAct 179D Deduction

- Legacy program still in effect [Inflation Reduction Act (IRA) provisions not in play until TY 2023]
- Maximum deduction of \$1.88/SF, partial deductions permitted
- For properties placed-in-service between 2015-2026, ASHRAE Reference Standard is 90.1-2007
- May be claimed retroactively (3115)

Section 45L Credit

- Legacy program still in effect [IRA Provisions not in play until TY 2023]
- \$2,000 credit per dwelling unit
- Claiming the credit results in a mandatory basis deduction and corresponding decrease in subsequent LIHTC Credit

ITC (Solar Investment Tax Credit)

- Rate determined by when “construction commenced” – 26% in 2021, 30% in 2022

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

HTC (Historic Tax Credit)

- Rehabilitation of historic buildings -- 20% of qualified rehab costs may be deducted

State-Specific Incentives

