Impact of the One Big Beautiful Bill Act (OBBBA) on Real Estate Investments

The One Big Beautiful Bill Act was officially signed into law on July 4, 2025 by President Trump. This sweeping legislation brings impactful changes to tax incentives, especially for real estate investors seeking strategic ways to enhance returns. One of the most notable changes is the reinstatement of ***100% bonus depreciation*** for property placed-in-service after January 19, 2025. Previously, bonus depreciation was subject to a 20% phase-out starting in 2023 and scheduled to end entirely after 2026. The OBBBA eliminates this phase-out and ***permanently reinstates full bonus depreciation****,* creating an immediate opportunity to ***maximize tax deferrals and accelerate ROI.***

This powerful incentive applies to both new and used assets with a useful tax life of 20 years or less. As a result, investors can ***significantly reduce taxable income and access increased cash flow in earlier years,*** which are key advantages that are best captured through a ***comprehensive cost segregation study****,* which breaks out shorter-lived building components from long-lived structures for faster depreciation.

New Bonus Opportunity – Qualified Production Property ("QPP")

In addition to restoring bonus depreciation, the OBBBA amends Section 168 to introduce the concept of Qualified Production Property (QPP) under IRC §168(n), incentivizing domestic manufacturing and production activities. To treat expenditures as QPP, the property must meet all of the following criteria:

- Nonresidential real property
- Used as an integral part of a Qualified Production Activity (QPA)
- Located in the U.S. or its territories
- Originally used by the taxpayer, or meet specific exceptions for unused acquired property
- Constructed between January 20, 2025 and December 31, 2028
- Placed-in-service before January 1, 2031

QPP classification includes Sec. 1250 property directly tied to production—such as flooring, electrical, lighting, and HVAC systems—while ancillary spaces like breakrooms and offices are excluded.

To fully benefit from this provision, a cost segregation study is essential not just for maximizing bonus depreciation but for substantiating expenditures that qualify under QPP. By identifying assets that meet QPP criteria, investors can unlock additional tax savings and strengthen the long-term viability of their production infrastructure.

Additionally, a cost segregation analysis may reveal opportunities to retroactively adjust depreciation schedules, capture missed deductions and optimize ongoing tax planning, particularly for projects initiated in 2025 and beyond.

Note on Unused Acquired Property

For acquired property to qualify as QPP, it must not have been used in a qualified production activity by any taxpayer between January 1, 2021 and May 12, 2025.

Getting Started

Whether you're investing in traditional commercial property or venturing into qualified production activities, a cost segregation study is now more valuable than ever. It's not just about compliance, it's about ***strategic acceleration of tax benefits and enhanced financial flexibility.*** To learn more about our Cost Segregation Study services, contact one of our experts today.

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