



## Cost Segregation & The “One Big Beautiful Bill” – a Game-Changer for Commercial Real Estate Owners

*How 100% Bonus Depreciation and Full Expensing of Improvements Supercharge Tax Benefits*

**By: John F. Shepardson, III – Principal**

**August 2025**

With the recent passage of H.R. 1—dubbed the “One Big Beautiful Bill”—Congress has delivered perhaps the most favorable tax legislation for commercial real estate owners in decades. At the heart of this sweeping bill are powerful provisions that expand depreciation benefits, encourage reinvestment, and supercharge cash flow for property owners and investors.

Here's what you need to know:

### **1. What Is Cost Segregation, and why is it the key to unlocking these benefits?**

**Cost Segregation** is a tax-deferral strategy that allows commercial property owners to accelerate depreciation deductions by reclassifying certain building components into shorter-lived asset categories.

These short-life assets are the **exact type that qualify for these newly enhanced tax provisions**—making cost segregation not just a tax strategy, but a gateway to unlocking immediate and substantial cash flow.

### **2. 100% Bonus Depreciation—Now Permanent**

Prior to H.R. 1, bonus depreciation existed. However, it was at a lower rate and being phased out. Under the new law, **100% bonus depreciation is restored and made permanent**, meaning businesses **can immediately expense the full cost of qualifying assets** in the year they are placed in service.

This is a huge win for real estate owners who use **cost segregation studies** to identify and reclassify building components qualifying for 100% bonus depreciation. Benefits of this strategy include:

- Substantial **increase in current-year deductions**
- Immediate increase in **cash flow**
- Reduced **taxable income**
- Greater ROI for new construction, acquisitions, and renovations

**Even used property** (as long as it's new to the taxpayer) qualifies, greatly expanding the benefit to real estate buyers.

### **3. Full Expensing of Qualified Improvement Property**

Qualified Improvement Property (QIP) is generally defined as improvements made to the interior of an already-in-service commercial building (with certain limitations). H.R. 1 opens the door for **full and immediate expensing of many renovation and tenant improvement projects**, by including QIP in the definition of property eligible for 100% bonus depreciation.

This creates major planning opportunities for landlords, developers, and tenants alike.

### **4. Bonus for Manufacturing and Industrial: Qualified Production Property**

H.R. 1 also includes provisions for **Qualified Production Property (QPP)**— allowing for **full expensing of certain real property assets used in manufacturing, processing, or production**.

These provisions create unprecedented potential **opportunities for manufacturing entities to immediately recover the entire cost of investment in QPP facilities**.

### **Conclusion: Act Now, Benefit Immediately**

H.R. 1 changes the game for real estate owners by establishing extraordinarily favorable depreciation rules. Combined with a cost segregation study, these new rules provide an unprecedented opportunity to **reduce your current tax liability, free up capital, and increase cash flow**.

Contact us at [info@highlandadvisorsgroup.com](mailto:info@highlandadvisorsgroup.com) or (770) 827-5249 to learn how our Cost Segregation expertise can unlock these benefits for you!