

MORRIS COST SEG CONSULTANTS

100% BONUS DEPRECIATION RESTORED



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**Cost Segregation & the Restoration of
100% Bonus Depreciation
Definition, Explanation, and Real-
World Success Stories**

EXECUTIVE SUMMARY

Recent tax law changes restore 100% bonus depreciation for qualifying property placed in service after January 19, 2025. When combined with an engineering-based cost segregation study, commercial property owners may significantly accelerate depreciation deductions and improve cash flow.

Maximize Your Tax Deductions with 100% Bonus Depreciation

RESTORED FOR 2025:

Take advantage of the recent tax law change! 100% bonus depreciation is now available for qualifying property placed in service after January 19, 2025.

100% Bonus Depreciation

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WHAT IS COST SEGREGATION?

Cost segregation is a powerful IRS-approved tax strategy that allows commercial and income-producing property owners to **accelerate depreciation deductions** by identifying portions of a building that can be depreciated over **shorter tax lives**—typically **5, 7, or 15 years**, instead of the standard **27.5 years (residential)** or **39 years (commercial)**.

Rather than depreciating the entire property slowly over decades, cost segregation breaks the property into components such as:

- Electrical systems
- Plumbing
- Flooring and finishes
- HVAC components
- Lighting
- Site work and land improvements

This reclassification results in **larger depreciation deductions earlier**, dramatically reducing taxable income in the early years of ownership.

WHAT DOES “100% BONUS DEPRECIATION RESTORED” MEAN?

Bonus depreciation allows property owners to deduct a large percentage of eligible depreciable assets **in the first year** they are placed in service.

Under the original Tax Cuts and Jobs Act (TCJA), qualifying assets were eligible for **100% bonus depreciation**, meaning the full cost of those assets could be written off immediately.

However, beginning in 2023, bonus depreciation began to **phase down**:

- 2023: 80%
- 2024: 60%
- 2025: 40%

“100% Bonus Depreciation Restored” refers to:

Legislative efforts and proposed tax law changes aimed at **reinstating full 100% bonus depreciation**, retroactively or prospectively, allowing investors to once again **fully expense qualifying components in year one**.

When restored, this dramatically amplifies the value of cost segregation.

WHY COST SEGREGATION + 100% BONUS DEPRECIATION IS SO POWERFUL

When combined, these two strategies allow property owners to:

- ✓ Front-load depreciation deductions
- ✓ Offset active or passive income (subject to tax rules)
- ✓ Improve cash flow immediately
- ✓ Reduce or eliminate current-year tax liability
- ✓ Reinvest tax savings back into growth

Instead of waiting decades to realize tax benefits, owners unlock them **now**, when capital matters most.

HOW IT WORKS IN PRACTICE

Engineering-Based Cost Segregation Study

A detailed analysis identifies and documents eligible property components.

Asset Reclassification

Portions of the building are assigned shorter depreciation lives.

Bonus Depreciation Applied

With 100% bonus depreciation restored, those reclassified assets are fully expensed in year one.

Immediate Tax Savings

The result is a substantial reduction in taxable income—often six or seven figures for larger properties.

REAL-WORLD SUCCESS STORIES

SUCCESS STORY #1: MULTIFAMILY INVESTOR SAVES \$1.2 MILLION IN TAXES

Property: 150-unit apartment complex

Purchase Price: \$18 million

Cost Segregation Identified: \$5.6 million in 5-, 7-, and 15-year property

With 100% bonus depreciation restored, the investor was able to **fully deduct the \$5.6 million in year one**, resulting in:

- **Tax savings:** ~\$1.2 million
- **Cash flow increase:** Immediate

Outcome: Reinvested savings into a second property acquisition within 12 months

SUCCESS STORY #2: SHORT-TERM RENTAL OWNER ELIMINATES FEDERAL TAXES

Property: Luxury short-term rental portfolio (3 properties)

Total Basis: \$6.4 million

Cost Segregation Identified: \$2.1 million

By leveraging cost segregation and restored 100% bonus depreciation, the owner:

- Offset nearly all W-2 income
- Reduced federal tax liability to near zero
- Used tax savings to renovate and increase nightly rates

Result: Higher NOI + zero tax burden that year

SUCCESS STORY #3: COMMERCIAL OFFICE BUILDING ACCELERATES GROWTH

Property: Class B Office Building

Value: \$9.8 million

Cost Segregation Identified: \$3.2 million

The business owner used the restored 100% bonus depreciation to:

- Create a massive first-year loss
- Offset profits from other operating businesses
- Preserve working capital during an expansion phase

Outcome: Expansion completed without taking on additional debt

SUCCESS STORY #4: MEDICAL PRACTICE REINVESTS TAX SAVINGS

Property: Owner-occupied medical office

Purchase Price: \$4.5 million

Reclassified Assets: \$1.4 million

With full bonus depreciation restored:

- Immediate write-off of eligible assets
- Over \$500,000 in tax savings
- Funds redirected into new equipment and staff hiring

Result: Growth without cash strain

SUCCESS STORY #5: FREE-STANDING RESTAURANT PROPERTIES: TURNING OWNERSHIP INTO STRATEGIC TAX SAVINGS

Client: Owner of a free-standing casual dining restaurant in a high-traffic suburb

Challenge: The property included a leased building converted into a restaurant, with major improvements done over the years. The owner wanted to maximize deductions to offset income and reinvest in marketing and renovations.

Solution: Morris Cost Segregation Consultants identified short-life assets including exterior signage, landscaping, parking lot improvements, and interior tenant improvements. They categorized these assets to accelerate depreciation schedules.

Results:

- Over **\$600,000 of property improvements** were reclassified for accelerated depreciation.
- This generated **\$180,000 in first-year tax savings**.
- The savings were reinvested into seasonal promotions and a kitchen expansion, increasing revenue by 12% in the first year.

Takeaway: Owning a free-standing restaurant provides opportunities for tax savings that go beyond traditional depreciation methods.

WHO BENEFITS MOST FROM COST SEGREGATION WITH 100% BONUS DEPRECIATION?

- Multifamily investors
- Commercial property owners
- Short-term & Long-term rental operators
- Business owners owning their real estate
- High-income professionals
- Real estate syndicators
- Restaurants

If you're paying significant taxes and own income-producing property, this strategy is often a game-changer.

THE BOTTOM LINE

Cost segregation is about accelerating depreciation. **100% bonus depreciation restored** is about maximizing it immediately.

Together, they transform depreciation from a passive accounting concept into an **active wealth-building strategy**, delivering real cash savings when they matter most.

When implemented correctly and supported by an engineering-based study, this strategy is fully compliant, IRS-recognized, and one of the most effective tax tools available to real estate owners today.

CALL TO ACTION

Get Your Complimentary Preliminary Analysis Today!

Wondering if your property qualifies? Reach out to us for a free analysis to estimate your potential tax savings.

Contact Us Today:

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DISCLAIMER

The information provided regarding cost segregation and 100% bonus depreciation is for general informational and educational purposes only and should not be construed as tax, legal, or accounting advice. Tax laws, regulations, and interpretations are subject to change, and their application may vary based on individual circumstances.

Cost segregation studies and depreciation strategies should be evaluated and implemented only after consultation with qualified tax professionals, including a certified public accountant (CPA), tax attorney, or other licensed advisor familiar with your specific financial situation. Any tax savings examples or scenarios discussed are illustrative only and do not guarantee similar results.

While cost segregation is a recognized and IRS-accepted methodology when properly conducted, outcomes depend on property type, acquisition details, placed-in-service dates, and compliance with applicable tax rules. The restoration or availability of 100% bonus depreciation is subject to current and future legislative action and cannot be guaranteed.

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