Bonus depreciation field guide

A working file for investment-property owners. Separate component classification, bonus eligibility and your ability to use a loss before projecting a benefit.

How to use this packet

Complete the cost and date worksheets with records you already have. Mark unknown facts instead of guessing. Ask your CPA which asset, taxpayer and return year each answer applies to.

Four different numbers

Cost / basis	CPA-reviewed acquisition costs, land and adjustments.
Depreciation deduction	A tax expense calculation using applicable asset rules.
Usable tax effect	The result after loss limitations and return interactions.
Operating cash flow	Rent less expenses and scheduled debt payments.

Your property file

Property / owner entity:

Tax preparer / study provider:

Return year / planned holding period:

Reconcile costs before allocations

Do not start with appraised value or the new loan amount. Trace the actual costs, exclude land once, and separate expenditures needing CPA classification.

Working cost ledger

Purchase cost	Amount: _____ Source: _____
Land included above	Amount: _____ Support to review: _____
Capital additions	Amount: _____ Invoice index: _____
Other adjustments	CPA explanation: _____

Questions to settle

- ☐ Does this starting number already exclude land?
- ☐ Are any appliances or improvements already on separate schedules?
- ☐ Which costs are repairs, financing charges or other separately treated items?
- ☐ Do ownership history, personal use or an exchange change the analysis?

Reconciliation notes

Difference between report starting cost and CPA ledger:

Missing record / responsible person:

Keep five milestones separate

The report and refinance dates do not establish rental readiness. Record evidence, not just a date selected from a calendar.

Date and evidence worksheet

Contract signed	Date: _____ Agreement / amendments: _____
Acquisition closed	Date: _____ Settlement record: _____
Ready and available	Date: _____ Condition / listing / approvals: ____
Study delivered	Date: _____ Final report version: _____
Refinance closed	Date: _____ Loan record: _____

Discuss with the CPA

Ask which acquisition and service rules apply, including written binding contracts, separate additions and qualifying used property. An earlier acquisition does not become new because a report is delivered later.

Unresolved timing fact

Fact / evidence needed / person to contact:

Check the first-year convention

Illustration only: assume $285,000 depreciable cost, $100,000 eligible bonus assets and $185,000 residential rental building basis, entering service in September.

September illustration

Bonus assumption	$100,000; eligibility assumed for the illustration.
Building convention	$185,000 / 27.5 x 3.5 / 12 = about $1,962.
Combined deduction	About $101,962.
Building-only baseline	$285,000 / 27.5 x 3.5 / 12 = about $3,023.
Incremental difference	About $98,939 of deductions, not promised savings.

Why the baseline matters

A real no-study schedule may already identify separate assets. Ask for both actual schedules. The simplified building-only comparison is not a substitute for that review.

Your preparer-supplied comparison

Baseline deduction / proposed deduction / convention:

Incremental amount / usable amount / explanation:

Evaluate the full ownership plan

Moving a deduction forward is not the same as increasing total lifetime depreciation. Compare fees, usable amounts, later deductions and the planned sale.

Decision checklist

- ☐ CPA reviewed passive activity, at-risk and other relevant limits.
- ☐ State treatment checked for the actual taxpayer and year.
- ☐ Written scope and fee include deliverables and support terms.
- ☐ Sale analysis distinguishes the relevant asset categories.
- ☐ Rental operations and financing work without assuming a tax refund.

Professional responsibilities

Study provider	Supported classifications, methodology and report.
CPA / preparer	Eligibility, elections, return procedure and loss use.
Financing team	Loan review, collateral, coverage and closing conditions.

Before ordering

Largest unresolved assumption:

Next action and responsible person:

Sources and your next conversation

Use the governing source for your return year. This packet organizes questions; it is not a tax opinion, engineering study or completed return.

Primary sources

IRS Publication 946: depreciation	Open IRS source online
IRS Publication 527: residential rental property	Open IRS source online
IRS Publication 925: passive activity and at-risk rules	Open IRS source online
IRS Publication 544: asset dispositions	Open IRS source online
IRS Notice 2026-11: bonus depreciation guidance	Open IRS source online
IRS Publication 5653: cost segregation examination guide	Open IRS source online

Keep a decision record

Write down the facts still unresolved, the person responsible for answering and the date you will review the answer. Preserve the final proposal, report and implementation records.

Next question / responsible person / target date:

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