

A GUIDE FOR TAX & ADVISORY PRACTICES

The CPA's 2026 Cost Segregation Opportunity Guide

How permanent 100% bonus depreciation for real estate clients creates new advisory opportunities for CPA firms.

WHAT'S INSIDE

the 2025–2026 rule changes · 7 client triggers · decision tree · three before-and-after examples · one-page client checklist · portfolio opportunity worksheet

Updated for IRS Notice 2026-11 · Edition 1 · 2026

Not tax, legal, or accounting advice

What's in this guide

This guide is built to be used, not just read. Sections 1 through 7 give you the technical grounding; sections 8 through 10 are the tools you can put in front of clients and across your book of business this filing season.

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What's Changed for 2026

The depreciation rules your real estate clients planned around in 2023 and 2024 are no longer the rules that apply. For qualifying property, the phase-down is gone and 100% is back.

For five years, bonus depreciation was a depreciating asset in its own right. Under the Tax Cuts and Jobs Act schedule, the 100% first-year allowance stepped down to 80% in 2023, 60% in 2024, and 40% in 2025, on a path to zero in 2027. Planning conversations were dominated by the phase-down: accelerate now, because next year is worth less.

The One Big Beautiful Bill Act (P.L. 119-21) reversed that trajectory. It permanently restores the 100% additional first-year depreciation allowance under §168(k) for qualified property acquired after January 19, 2025 and placed in service after that date.^{1,2} There is no scheduled expiration and no step-down to plan around.

In January 2026, the IRS issued Notice 2026-11, interim guidance taxpayers may rely on until regulations are finalized.¹ Its practical message to practitioners is continuity: the Service will apply the existing regulatory framework under Treas. Reg. §1.168(k)-2, with the dates updated. January 19, 2025 replaces September 27, 2017, and January 20, 2025 replaces September 28, 2017.^{1,3} The written binding contract rule, the 10% safe harbor for self-constructed property, and the component election all carry forward substantially as practitioners already know them.

WHY THIS MATTERS FOR COST SEGREGATION

Bonus depreciation applies to property with a recovery period of 20 years or less. A building itself never qualifies. A cost segregation study is the mechanism that identifies which portions of a building are properly classified into 5-, 7-, and 15-year property. When the bonus rate was 40%, that reclassification was worth accelerating. At 100%, the entire reclassified amount is deductible in year one.

The dividing line is acquisition, not just placed-in-service

A property placed in service in 2025 or 2026 does not automatically get 100%. The controlling question is when the property was acquired, generally the date a written binding contract was entered into, or, for self-constructed property, when substantial construction began.^{1,3} A client who signed a purchase contract in November 2024 and closed in April 2025 is still in the 40% world for that property.

Notice 2026-11 also preserves a transition election: for the first taxable year ending after January 19, 2025, a taxpayer may elect to apply the TCJA rate (40%, or 60% for long-production-period property) instead of 100%.¹ That election is worth remembering for clients whose income profile makes a large first-year deduction less useful than a spread one.

Old Rules vs. New Rules

The same \$2 million depreciable basis, the same cost segregation study, two different worlds.

	OLD RULES — TCJA PHASE-DOWN	NEW RULES — OBBBA + NOTICE 2026-11
First-year bonus rate	80% (2023) → 60% (2024) → 40% (2025) → 20% (2026) → 0% (2027)	100% for qualified property acquired and placed in service after January 19, 2025
Certainty	Declining every year; scheduled to disappear entirely	Permanent. No scheduled phase-down, no sunset date
Planning posture	Race the clock. Value of a study fell each year a client waited.	Structural. A study is worth running whenever the facts support it, not before a deadline.
Reclassified 5/7/15-year property	Only a fraction deductible in year one; remainder on MACRS schedules	Entire reclassified amount deductible in year one, subject to the usual loss limitations
On \$560,000 reclassified	\$336,000 bonus in year one (2024, 60%), plus MACRS on the \$224,000 balance	\$560,000 bonus in year one (2026, 100%)

Bonus depreciation rate by placed-in-service year

For look-back studies (section 7), the rate is set by the year the property was placed in service — not the year you file the study. This is the table to keep at hand.

PROPERTY PLACED IN SERVICE	BONUS RATE	NOTES
Sept 28, 2017 – Dec 31, 2022	100%	TCJA full expensing years
2023	80%	First phase-down year
2024	60%	
2025 — acquired on or before Jan 19, 2025	40%	TCJA framework still governs

PROPERTY PLACED IN SERVICE	BONUS RATE	NOTES
2025 — acquired after Jan 19, 2025	100%	OBBBA rate applies
2026 and forward	100%	Permanent under §168(k)

Acquisition date is generally the written binding contract date, or commencement of substantial construction for self-constructed property (Treas. Reg. §1.168(k)-2(b)(5); Notice 2026-11).^{1,3}

ALSO CHANGED FOR 2026

§179 expensing was expanded to a \$1M → \$2.5M cap with a \$4M phase-out threshold, both indexed; for 2026 the figures are \$2,560,000 and \$4,090,000.⁴

New §168(n) allows 100% expensing of certain nonresidential real property used in qualified production activities, for construction beginning after January 19, 2025 and before January 1, 2029.² Guidance on §168(n) is still pending as of this writing.

The Cost Seg Opportunity CPAs May Be Missing

The common assumption is that cost segregation is a new-acquisition conversation. In practice, most of the unexamined opportunity sits in properties clients already own.

Cost segregation is not an aggressive position. The IRS describes it plainly in its own Audit Techniques Guide as “the allocation (or reallocation) of the total cost (or value) of property into the appropriate property classes and recovery periods.”⁵ The legal foundation has been settled for nearly three decades.^{5,6}

What has changed is the arithmetic. When bonus was phasing down, a study produced a modest first-year benefit and a long tail. At 100%, the reclassified amount lands in a single year — which shifts cost segregation from a technical refinement to a planning decision with real magnitude.

THE ADVISORY BACKDROP

74%

of tax professionals surveyed say their clients strongly want additional financial advice beyond basic tax preparation⁷

28%

name tax strategy as the top new service they plan to add within 12 months — the most-cited of any category, with a further 37% considering it⁷

20–24%

typical advisory service margins reported, below the 28% margin on individual return preparation — the same research suggests firms are underpricing advisory work⁷

Where the missed opportunity sits

Firms tend to catch the obvious case: a client buys a building, and someone asks whether a study makes sense. The cases that go unexamined are less visible in the workpapers.

- **Prior acquisitions that never received a study.** A property bought in 2019 and depreciated straight-line on 39 years since then is not a closed file. Section 7 covers the mechanics.
- **Improvements booked as a single capital addition.** A \$600,000 tenant build-out often enters the fixed asset ledger as one line on 39 years, when a meaningful share is 5-year personal property or qualified improvement property on 15 years.
- **Properties acquired inside an entity you don’t prepare for.** The client’s operating company is your engagement; the real estate LLC is handled elsewhere or barely at all.

- **Clients who don't describe themselves as real estate investors.** The dentist who owns her building, the manufacturer who bought the flex space next door, the family that inherited a strip center.
- **Assets retired without a partial disposition election.** When a roof or HVAC system is replaced, the remaining basis of the removed component can often be written off, but only if the components were identified.

Nobody at the client's table is likely to raise this except you. That is precisely what makes it an advisory opportunity rather than a compliance step.

Your firm can run cost seg studies in-house using fixed asset software, such as DepreciationPro, instead of outsourcing to improve efficiency, margins, and client satisfaction.

The rest of this guide makes the screen repeatable: seven triggers, a decision tree, three worked illustrations, and two working documents. None of it requires you to become a cost segregation engineer. It is included to help you identify which clients should be having the conversation.

7 Triggers That Should Prompt a Cost Seg Review

If any one of these is true for a client, the conversation is worth having. Two or more, and it usually belongs on the planning agenda in writing.

1 The client acquired commercial or rental real estate in the current or prior tax year

The clearest case. Confirm the acquisition date, generally the written binding contract date, not just the closing or placed-in-service date, because that is what determines whether the 100% rate or the 40% rate applies.^{1,3}

Why it matters — A study performed in the year of acquisition avoids a later method change and captures the reclassification in the first return.

2 The client completed a renovation, remodel, tenant improvement, or build-out

Interior improvements to nonresidential real property placed in service after the building was first placed in service generally meet the definition of qualified improvement property, 15-year recovery, and bonus-eligible. Enlargements, elevators and escalators, and internal structural framework are carved out.

Why it matters — Improvement projects are frequently capitalized as one 39-year line item, which is the single most common overstatement of recovery period described in practice.

3 The client constructed a new building or expanded an existing one

Self-constructed property has its own acquisition rule: the 10% safe harbor, under which substantial construction is treated as beginning once more than 10% of total cost has been incurred.^{1,3} Construction records are also at their most complete right at completion, which makes the study cheaper and better supported.

Why it matters — Notice 2026-11 preserves the ability to treat qualifying components acquired or self-constructed after January 19, 2025 favorably even where the larger project does not qualify.¹

4 The client owns property placed in service in a prior year that never received a study

No amended return is required. A change from an impermissible to a permissible recovery period is a change in method of accounting, made on Form 3115 with a §481(a) adjustment taken in the year of change.^{8,9} See section 7.

Why it matters — This is usually the largest pool of untouched opportunity in an established book of business.

5 The client has an unusual income year or expects one

A business sale, a large gain, a Roth conversion, an exercise of options, a strong operating year. Deduction timing is only valuable if there is income of the right character to absorb it.

Why it matters — The study is about when deductions are taken. Matching that timing to a client's actual income profile is the advisory work.

6 The client is planning a disposition, demolition, or component replacement

Replacing a roof, HVAC system, parking lot, or storefront creates a partial asset disposition question. Writing off the remaining basis of the retired component requires knowing what that component's basis was.

Why it matters — Timing is unforgiving here. The partial disposition election is generally made on the return for the year of the disposition.

7 The client's basis changed: 1031 exchange, entity restructuring, step-up at death, or a change in use

Each of these impacts the analysis. In a like-kind exchange, carryover basis and excess basis are treated differently for bonus purposes; property received with a stepped-up basis is generally newly acquired in the hands of the recipient; converting a personal residence or a primary use changes the depreciation profile entirely.

Why it matters — These events rarely announce themselves as depreciation questions, so they are the ones most often missed.

Running the screen efficiently

You do not need a separate meeting for this. The seven triggers map onto information you already collect: the fixed asset schedule, the Schedule E or 8825, the closing statements in the client file, and the depreciation detail on last year's return.

WHERE TO LOOK	WHAT YOU'RE LOOKING FOR
Depreciation schedule / Form 4562 detail	Buildings on 27.5 or 39 years with little or no 5-, 7-, or 15-year property beside them
Fixed asset additions this year	Large single-line capital additions with no component breakdown
Balance sheet & K-1s	Real estate held in entities you may not prepare returns for
Closing statements in the client file	Contract date vs. closing date — the January 19, 2025 dividing line

Prior-year planning notes

Anticipated liquidity events, sales, or income spikes

THE THRESHOLD QUESTION

Deduction timing only has value if the deduction can be used. Before recommending a study, confirm the client's ability to absorb the deduction: passive activity loss limits under §469, basis and at-risk limits, and the excess business loss limitation under §461(l). A large first-year deduction that suspends is a deferral, not a benefit, and telling a client that is part of the value you provide.

2026 Cost Segregation Decision Tree

Six questions for any client who owns real estate.

1 Does the client own commercial or residential rental real estate used in a trade, business, or income-producing activity?

Includes property held in a related entity. Excludes a personal residence and raw land held for investment.



2 When was the property acquired, constructed, or improved?

Use the written binding contract date, or commencement of substantial construction (10% safe harbor) for self-constructed property.^{1,3}

ANSWER	WHAT IT MEANS
After Jan 19, 2025	100% bonus rate available on qualifying reclassified property placed in service after that date. Continue.
On or before Jan 19, 2025	TCJA rate for the placed-in-service year applies (100% / 80% / 60% / 40%). Still frequently worth a study. Continue.



3 Is the depreciable basis large enough to justify a study?

Depreciable basis = purchase price or construction cost, less land. Most firms use a practical floor in the several-hundred-thousand-dollar range; a provider's no-cost feasibility estimate is the reliable way to test it.

ANSWER	WHAT IT MEANS
Below the floor	Document the conclusion and revisit if the client improves or expands the property.
Above the floor	Continue.



4 What property type is it?

Reclassification percentages vary widely by asset class. Restaurants, medical, hospitality, manufacturing and retail typically carry more short-life property than plain office or warehouse. Property type drives the estimate, not the eligibility.



5 Has a cost segregation study already been performed on this property?

ANSWER

WHAT IT MEANS

Yes

Check whether later improvements, expansions, or component retirements have occurred since. Those are separate opportunities.

No

If placed in service in a prior year, this is a look-back candidate: Form 3115, DCN 7, §481(a) catch-up in the year of change.^{8,9}



6 Can the client actually use the deduction this year?

Passive activity loss limits (§469), basis and at-risk limits, excess business loss limits (§461(l)), holding horizon and §1245 recapture exposure on a planned sale, and state conformity. Many states decouple from bonus depreciation. Use this state conformity workpaper: <https://www.depreciationpro.com/resources/multi-state-addback-kit/>



OUTCOME

Potential advisory opportunity. Request a feasibility estimate, discuss timing against the client's income profile, and document the recommendation either way.

Before-and-After Illustrations

Three hypothetical properties, showing how reclassification changes the timing of depreciation deductions. These are illustrations of mechanics, not projections of tax savings.

IMPORTANT NOTE

The figures below are hypothetical and illustrative only. They show first-year depreciation deductions, not tax savings. The tax effect depends entirely on the client’s rate, character of income, and loss limitations. Reclassification percentages are assumptions chosen for illustration; actual results depend on an engineering-based study of the specific property. Total depreciation over the life of the asset is unchanged; what changes is when it is taken. Accelerated deductions on §1245 property are generally subject to recapture at ordinary rates on disposition.

Illustration A — \$1,000,000 residential rental (small multifamily)

Acquired and placed in service March 2026 · 20% land allocation · 27.5-year recovery, mid-month convention · assumed 22% of depreciable basis reclassified (14% to 5-year, 8% to 15-year)

YEAR-ONE DEPRECIATION	WITHOUT A STUDY	WITH A STUDY
Depreciable basis (after land)	\$800,000	\$800,000
Reclassified to 5-year property	—	\$112,000
Reclassified to 15-year property	—	\$64,000
100% bonus on reclassified property	—	\$176,000
27.5-year straight-line on remaining basis	\$23,030	\$17,964
Year-one depreciation deduction	\$23,030	\$193,964
Difference in year-one timing	—	\$170,934

Illustration B — \$2,500,000 nonresidential (retail or office)

Acquired and placed in service June 2026 · 20% land allocation · 39-year recovery, mid-month convention · assumed 28% of depreciable basis reclassified (18% to 5-year, 10% to 15-year)

YEAR-ONE DEPRECIATION	WITHOUT A STUDY	WITH A STUDY
Depreciable basis (after land)	\$2,000,000	\$2,000,000
Reclassified to 5-year property	—	\$360,000
Reclassified to 15-year property	—	\$200,000
100% bonus on reclassified property	—	\$560,000
39-year straight-line on remaining basis	\$27,778	\$20,000
Year-one depreciation deduction	\$27,778	\$580,000
Difference in year-one timing	—	\$552,222

Illustration C — \$5,000,000 industrial / flex property

Acquired and placed in service September 2026 · 15% land allocation · 39-year recovery, mid-month convention · assumed 32% of depreciable basis reclassified (16% to 5-year, 4% to 7-year, 12% to 15-year)

YEAR-ONE DEPRECIATION	WITHOUT A STUDY	WITH A STUDY
Depreciable basis (after land)	\$4,250,000	\$4,250,000
Reclassified to 5-year property	—	\$680,000
Reclassified to 7-year property	—	\$170,000
Reclassified to 15-year property	—	\$510,000
100% bonus on reclassified property	—	\$1,360,000
39-year straight-line on remaining basis	\$31,784	\$21,613
Year-one depreciation deduction	\$31,784	\$1,381,613
Difference in year-one timing	—	\$1,349,829

What these illustrations do and don't show

THEY SHOW

- The mechanical effect of moving basis from a 27.5- or 39-year class into 5-, 7-, and 15-year classes
- How the 100% rate converts that reclassification into a first-year deduction rather than a multi-year schedule
- Why the magnitude scales with depreciable basis and with the short-life content of the property type

THEY DO NOT SHOW

- Tax savings that requires the client's marginal rate and character of income
- Whether the deduction is currently usable under §469, §461(l), or basis and at-risk rules
- State treatment – a number of states decouple from federal bonus depreciation
- Recapture on disposition or the cost of the study itself

Over the full life of the asset, the total depreciation is identical. Cost segregation changes the schedule, not the sum, and a schedule is a planning variable.

USEFUL FRAMING FOR CLIENTS

Clients often hear cost segregation and think tax loophole. The more accurate framing is that a building is not one asset. It is a structure plus carpeting, cabinetry, specialty electrical, dedicated plumbing, signage, landscaping, paving and site work, or other items with genuinely shorter economic lives that the tax law already recognizes as separate classes. A study is the documentation that supports classifying them correctly.⁵

Cost Segregation + 100% Bonus Depreciation

Two mechanics that produce a large first-year result when used together.

Section 168(k) applies to property with a recovery period of 20 years or less, and nonresidential real property (39 years) and residential rental property (27.5 years) sit outside that boundary by definition. A client can be in a 100% bonus environment and still deduct one-thirty-ninth of their building each year, because nothing has identified anything eligible.

A study is what supplies the eligible property. The IRS’s Audit Techniques Guide frames the purpose directly: taxpayers seek to identify portions of building cost properly classified as personal property, so that shorter recovery periods and accelerated methods, including bonus depreciation, may be applied.⁵ The distinction traces to §1245 versus §1250, and §1245 property is what carries the 5-, 7-, and 15-year lives.^{5,6}

“The allocation (or reallocation) of the total cost (or value) of property into the appropriate property classes and recovery periods.”

IRS PUBLICATION 5653, COST SEGREGATION AUDIT TECHNIQUES GUIDE — THE SERVICE’S OWN DESCRIPTION OF A COST SEGREGATION STUDY

How the two fit together

STEP	WHAT HAPPENS	AUTHORITY / MECHANISM
1	Purchase or construction cost is allocated between land and improvements	Land is never depreciable
2	An engineering-based study allocates improvement cost among asset classes	IRS Pub. 5653; <i>Hospital Corporation of America</i> ^{5,6}
3	Components properly classified as §1245 property or land improvements land in 5-, 7-, and 15-year classes	§1245 / §1250; MACRS class lives
4	Those classes are 20 years or less, so they are eligible for the additional first-year allowance	§168(k)
5	The applicable bonus rate is applied — 100% for qualifying property acquired after Jan 19, 2025	OBDDA §70301; Notice 2026-11 ^{1,2}

STEP	WHAT HAPPENS	AUTHORITY / MECHANISM
→	The reclassified amount becomes a first-year deduction; remaining basis stays on 27.5 or 39 years	

Where the interaction breaks down

- **Property acquired before January 20, 2025.** Reclassification still works; the bonus rate is the placed-in-service year's.
- **The §163(j) real property trade or business election.** Electing out of the business interest limitation requires ADS for nonresidential real property, residential rental property, and QIP, and ADS-life QIP is not bonus-eligible. Model the trade-off before either election.
- **Like-kind exchanges.** Bonus generally applies to excess basis, not the carryover portion.
- **Related-party and prior-use acquisitions.** Used property qualifies only if the taxpayer had no prior depreciable interest and the related-party rules are met.
- **Election out.** A taxpayer may elect out of bonus for any class of property for a year; the election is generally irrevocable.¹ For some clients, that is the right answer.

Look-Back Opportunities

Clients who bought or built years ago and never had a study are not out of time. This is where the most overlooked opportunity in an established book of business usually sits.

The instinct is to assume a missed opportunity from 2019 requires an amended return, and that the statute has closed. Neither is generally correct.

Changing the recovery period or method used to depreciate an asset from an impermissible one to a permissible one is a change in method of accounting, not a correction of an error.⁸ The mechanism is Form 3115, filed under the automatic consent procedures, with a §481(a) adjustment capturing the cumulative difference between depreciation claimed and depreciation that should have been claimed from inception through the beginning of the year of change.^{8,9} A favorable (negative) adjustment is generally taken entirely in the year of change.

WHAT THIS MEANS IN PRACTICE

Prior-year returns are not reopened. The catch-up posts on the current return. That removes the statute-of-limitations problem that makes practitioners assume older property is unreachable.

Illustrative look-back — \$2,500,000 nonresidential property

Placed in service July 2023 · \$2,000,000 depreciable basis after land · never studied · assumed 28% reclassified (18% to 5-year, 10% to 15-year) · 2023 placed-in-service year, so the 80% bonus rate applies · half-year convention assumed · Form 3115 filed with the 2026 return

CUMULATIVE DEPRECIATION, 2023-2025	AMOUNT
As filed — entire \$2,000,000 on 39-year straight-line	\$126,068
Corrected — 80% bonus on \$560,000 reclassified	\$448,000
Corrected — MACRS on remaining 5-year and 15-year basis	\$60,484
Corrected — 39-year straight-line on \$1,440,000 remaining	\$90,769
Corrected cumulative depreciation	\$599,253

§481(a) adjustment — deducted in the year of change**\$473,185**

Hypothetical and illustrative only. Actual results depend on an engineering-based study, the applicable convention, and the client's specific facts.

Practical points before you file

- **The property must still be owned.** Form 3115 is forward-looking from the year of change; a property already sold is not a look-back candidate.
- **Confirm the current designated change number.** The change from an impermissible to a permissible method of accounting for depreciation is made under the annual list of automatic changes, historically DCN 7, under Rev. Proc. 2015-13. The list is reissued annually, so verify the current revenue procedure before filing.⁹
- **Duplicate filing.** Automatic changes generally require the original with the timely-filed return and a signed duplicate copy filed separately per the applicable revenue procedure.⁹
- **The bonus rate is the placed-in-service year's rate.** A 2024 property gets 60%, not 100%. This is the single most common misunderstanding in look-back conversations.
- **Absorption still governs.** A large §481(a) deduction in a year with no income to absorb it may simply suspend. Model it before recommending it.

The CPA Client Conversation

Five questions to work into any planning meeting with a client who owns real estate. Each is designed to surface facts you can act on without committing you to a recommendation.

QUESTION ONE

“Did you buy, build, or improve any real estate this year including tenant improvements, build-outs, or equipment attached to a building?”

What you’re listening for: capital additions that will otherwise be booked as a single long-life line item. Follow-up: ask for the contract date, not just the closing date. That is what determines the applicable bonus rate.^{1,3}

QUESTION TWO

“For the properties you’ve owned for a while, has any of them ever had a cost segregation study?”

What you’re listening for: the answer is usually “no,” and often “what’s that?” Follow-up: confirm the client still owns the property. That is the gating fact for a look-back under Form 3115 (section 7).⁸

QUESTION THREE

“What does your taxable income look like this year and over the next two? Is there a spike we should be planning around?”

What you’re listening for: a business sale, a large gain, an option exercise, an unusually strong operating year. Why it matters: accelerating deductions into a year with no income to absorb them is a deferral, not a benefit.

QUESTION FOUR

“How is the rental activity treated on your return? Are the losses currently deductible, or are they suspending?”

What you’re listening for: passive activity status under §469, real estate professional status, material participation in short-term rentals, or passive income from other activities available to absorb losses. Why it matters: this determines whether a study produces a current-year result or a suspended one.

QUESTION FIVE

“What’s your holding horizon for each property? Is a sale, refinance, or major component replacement on the horizon?”

What you’re listening for: a near-term sale changes the calculus, because accelerated deductions on §1245 property are generally recaptured at ordinary rates. A planned roof or HVAC replacement raises the partial disposition question. Why it matters: it lets you give an honest “not now” where that is the right answer, which is what makes the “yes” credible.

DOCUMENT THE CONCLUSION

Whether the answer is “run a study” or “not a fit this year,” a short note in the planning file showing the question was asked and considered is worth more to the client relationship than the study itself.

SECTION NINE

Cost Segregation Opportunity Checklist

A one-pager for use across your client base. Print or duplicate for each client review.

Client: _____ Property: _____ Reviewed by /
date: _____

A · THRESHOLD FACTS

- ☐ Client owns commercial, industrial, or residential rental real estate used in a trade, business, or income-producing activity
- ☐ Property is held directly or in a related entity (LLC, partnership, S corp, trust)
- ☐ Depreciable basis after land allocation is meaningful relative to the cost of a study
- ☐ Client still owns the property as of the year of change

B · DATES THAT DRIVE THE BONUS RATE

- ☐ Written binding contract date identified: _____ (not the closing date)
- ☐ Placed-in-service date identified: _____
- ☐ For self-constructed property: date substantial construction began (10% safe harbor):

- ☐ Applicable bonus rate determined from the placed-in-service year table: _____%

C · TRIGGERS PRESENT (CHECK ALL THAT APPLY)

- ☐ Acquisition in the current or a prior tax year
- ☐ Renovation, remodel, tenant improvement, or build-out
- ☐ New construction or expansion
- ☐ Prior-year property that never received a study
- ☐ Unusual income year, current or anticipated
- ☐ Planned disposition, demolition, or component replacement
- ☐ Basis change — 1031 exchange, restructuring, step-up at death, change in use

D · USABILITY — CAN THE CLIENT ABSORB THE DEDUCTION?

- ☐ Passive activity status under §469 reviewed (REPS, short-term rental participation, passive income available)
- ☐ Basis and at-risk limitations reviewed
- ☐ Excess business loss limitation under §461(l) considered
- ☐ State conformity to federal bonus depreciation confirmed for each relevant state
- ☐ §163(j) real property trade or business election status checked (ADS conflict)
- ☐ Holding horizon and §1245 recapture exposure discussed with client

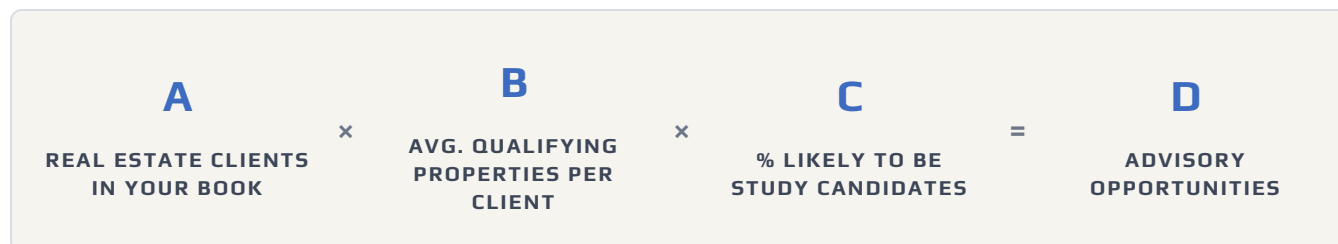
E · NEXT STEPS

- ☐ Feasibility estimate requested from a qualified provider OR
- ☐ Run study in-house using fixed asset software, such as DepreciationPro
- ☐ If prior-year property: Form 3115 / §481(a) approach confirmed and current DCN verified
- ☐ Recommendation — and the reasoning behind it — documented in the client planning file
- ☐ Revisit date set: _____

This checklist is a planning aid, not a substitute for professional judgment or a review of the client's specific facts. © DepreciationPro. Firms may reproduce this page for internal use.

Client Portfolio Opportunity Worksheet

Sections 1 through 9 are about one client at a time. This page is about your whole book of business.



LINE	INPUT	HOW TO SOURCE IT	YOUR FIRM
A1	Total business and individual clients with any Schedule E, Form 8825, or real estate on the balance sheet	Practice management or tax software query	
A2	Of those, clients holding commercial or rental property (exclude personal residences only)	Depreciation schedules	
B	Average number of qualifying properties per client in A2	Sample 10–20 clients	
B1	Total qualifying properties = A2 × B	Calculated	
C1	Properties above your depreciable-basis floor	Fixed asset detail	
C2	Less: properties that already have a study	()	
C3	Less: properties held by clients who cannot currently absorb the deduction	()	
C4	Less: properties with a near-term planned disposition	()	
D	Estimated study candidates across your client base		

Then split D into the two conversations

SEGMENT	DEFINITION	TIMING OF THE CONVERSATION	COUNT
D1 — Current year	Acquired, built, or improved in the current or prior tax year	Before the return is filed	
D2 — Look-back	Placed in service in an earlier year, never studied, still owned	Any time — Form 3115 in the year of change	

EXAMPLE

A firm with 310 clients finds 84 hold commercial or rental property, averaging 1.8 qualifying properties each, roughly 151. After removing those below the basis floor, already studied, unable to absorb, or being sold, 46 remain: 11 current-year and 35 look-back.

WHAT TO DO WITH THE NUMBER

Line D is not a revenue projection. It is a count of client conversations that should be happening and currently are not. Rank them by depreciable basis, take the top ten, and put them on the planning calendar before next season.

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Sources & Notes

Primary authority and published research cited throughout this guide. Practitioners should confirm current status before relying on any item. Guidance is actively developing.

- 1 IRS Notice 2026-11 (released January 14, 2026), interim guidance on the additional first-year depreciation deduction under §168(k) following P.L. 119-21. Confirms application of the existing Treas. Reg. §1.168(k)-2 framework with updated dates, the written binding contract rule, the 10% safe harbor for self-constructed property, component treatment, the election out, and the transition election to apply TCJA rates for the first taxable year ending after January 19, 2025. Taxpayers may rely on the notice pending regulations.
- 2 Internal Revenue Code §168(k), as amended by the One Big Beautiful Bill Act, P.L. 119-21, §70301 (permanent restoration of the 100% additional first-year depreciation allowance for qualified property acquired and placed in service after January 19, 2025); §168(n) (qualified production property).
- 3 Treas. Reg. §1.168(k)-2, including §1.168(k)-2(b)(5) (acquisition date, written binding contract, and the 10% safe harbor for self-constructed property).
- 4 Rev. Proc. 2025-32 (2026 inflation-adjusted amounts): §179(b)(1) maximum expensing amount of \$2,560,000 and §179(b)(2) phase-out threshold of \$4,090,000 for taxable years beginning in 2026. The underlying increase from \$1,000,000 / \$2,500,000 was enacted by OBBBA.
- 5 IRS Publication 5653, Cost Segregation Audit Techniques Guide. Source of the Service's description of a cost segregation study as "the allocation (or reallocation) of the total cost (or value) of property into the appropriate property classes and recovery periods," and of the §1245 / §1250 framework, the treatment of acquired versus constructed property, and the accounting method change discussion.
- 6 *Hospital Corporation of America v. Commissioner*, 109 T.C. 21 (1997), and IRC §§1245 and 1250. HCA established that investment tax credit precedent applies in determining whether property constitutes §1245 property for depreciation purposes; the IRS acquiesced in part.
- 7 Thomson Reuters Institute, 2026 State of the Tax Professionals Report. "74% of respondents say their clients strongly want additional financial advice." The same report identifies tax strategy as the leading new service firms plan to add within 12 months (28%, with a further 37% considering it), and notes advisory margins of 20–24%.
- 8 Treas. Reg. §1.446-1(e)(2)(ii) and IRC §481(a). A change in the depreciation method or recovery period of an asset from an impermissible to a permissible one is a change in method of accounting, effected on Form 3115 with a §481(a) adjustment in the year of change rather than by amending prior returns.

- 9 Rev. Proc. 2015-13 (procedures for obtaining consent to change a method of accounting, including automatic consent and duplicate filing requirements) together with the IRS's annual List of Automatic Changes. The change from an impermissible to a permissible method of accounting for depreciation has historically been designated change number 7. The list is reissued annually — confirm the current revenue procedure and DCN before filing.
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- 10 IRC §§469, 461(l), 465, and 163(j). Passive activity loss limitations, the excess business loss limitation, at-risk limitations, and the business interest limitation and associated real property trade or business election (which requires ADS and eliminates bonus eligibility for QIP).
-
- 11 IRC §168(e)(6) (qualified improvement property) and §1245(a) (recapture of depreciation on disposition of §1245 property at ordinary rates).
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All illustrative figures in section 5 and section 7 were calculated by DepreciationPro using the stated assumptions and standard MACRS conventions. They are hypothetical and are not drawn from actual client engagements.

Disclosures & Limitations

Please read this page before using any part of this guide with a client.

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All dollar amounts, percentages, reclassification assumptions, and computations in this guide — including the before-and-after illustrations in section 5, the look-back illustration in section 7, and the worked example in section 10 — are hypothetical and are presented solely to illustrate mechanics. They are not projections, estimates, or guarantees of results, tax savings, refunds, or any other outcome. They do not reflect actual client engagements. Actual results depend entirely on a property-specific, engineering-based study and on the taxpayer's individual facts, including marginal rates, character of income, entity structure, participation, basis, at-risk amounts, applicable loss limitations, state conformity, and holding period.

Depreciation timing is not tax savings

Cost segregation and bonus depreciation affect the timing of depreciation deductions. Over the full recovery period of an asset, total depreciation is unchanged. Accelerated deductions may be limited, suspended, or deferred under applicable rules, may increase depreciation recapture at ordinary income rates upon disposition under §1245, and may be treated differently for state income tax purposes. A larger first-year deduction is not equivalent to a tax benefit of the same amount.

Currency of the law

This guide reflects federal tax law, IRS guidance, and published research available to DepreciationPro as of its publication date in 2026, including IRS Notice 2026-11. Notice 2026-11 is interim guidance issued pending the publication of regulations, and its content may be modified. Guidance under §168(n) remains pending as of publication. The annual list of automatic accounting method changes is reissued each year and designated

change numbers may change. Tax law, regulations, administrative guidance, and judicial interpretation change frequently and may change retroactively. DepreciationPro undertakes no obligation to update this guide.

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