

JO Knows There are many benefits to owning real estate. Here are just a few to consider...

FEBRUARY 21, 2024 | BY: THE REAL ESTATE TEAM



Owning real estate can offer a wide range of benefits, from wealth generation to tax deferrals and the possibility of tax-free step-ups. These benefits are far reaching and are different for all investors. Understanding your tax situation, your tax and cash flow goals, and what your risk tolerance will help you make important decisions about your real estate holdings. Here are ten of the many benefits that real estate can provide.

1. Stabilized assets can generate positive cash flow while providing taxable losses
2. Noncash deductions for depreciation – These deductions can be accelerated through a cost segregation study and take advantage of shorter lives and bonus depreciation
3. For commercial properties, certain improvements can qualify as qualified improvement property and allow for bonus depreciation and a shorter 15 year depreciable life
4. Income generated from rental activities can qualify for Section 199A deductions, which provides a noncash deduction of up to 20% of the taxable income
5. The sale of a rental property can qualify for the preferred capital gain rates instead of ordinary income rates and avoids self-employment taxes
6. Rental income is generally considered passive, and therefore losses generated from rental activities can offset other passive income from other investments
7. If you qualify as a real estate professional, then rental losses generated can offset other income such as w-2 wages and interest and dividend income
8. Certain properties can qualify for historic tax credits, and energy improvements can qualify for additional tax credits
9. Equity from one property can be used to purchase a new property
10. Debt acquired to purchase the property provides additional basis to the investors, which can be beneficial to take losses

If you own real estate or are looking to acquire a portfolio of real estate, do not hesitate to reach out to a member of the JO Real Estate team. To learn more about the Real Estate group, visit our website.

To learn more about Johnson O'Connor's Real Estate services, click [here](#).

RELATED INDUSTRIES

Real Estate