



THE LANDLORD MONTHLY

MONTHLY
INSIGHTS FOR
THE MODERN LANDLORD

THIS MONTH:
A POWERFUL TAX STRATEGY
MOST LANDLORDS MISS

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A MESSAGE FROM JAMES

PRINCIPAL | JR ASSOCIATES

As a broker, landlord, and investor myself, I know firsthand how much goes into owning and managing rental property — and how often valuable opportunities go unnoticed simply because no one ever pointed them out.

That's why I created **The Landlord Monthly**. My goal is to give the landlord community I serve real, actionable insights that help you make smarter decisions, increase your property's performance, and ultimately maximize the return on your investment — whether that means saving on taxes, reducing turnover, or just knowing when it's time to raise rents (or not).

You won't find fluff here — just strategies, tools, and ideas I'd want in my own inbox.

Thanks for reading — I hope this first issue gives you something to think about. If it sparks a question, reach out anytime.

Sincerely,



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I'm not a CPA, tax advisor, or cost segregation expert — just a landlord and broker sharing a powerful strategy that more property owners should know about. This newsletter is meant to give you a high-level understanding of how cost segregation works, but it's not tax advice. Before making any moves, chat with your CPA or one of our go-to cost seg pros to see if it makes sense for your property.

DEPRECIATE *SMARTER*, NOT SLOWER

THE LANDLORD'S TAX ADVANTAGE:
A DEEP DIVE INTO **COST SEGREGATION**

If you own rental property and want to pay less in taxes—keep reading. Thanks to recent legislation restoring 100% bonus depreciation for 2025, cost segregation is once again one of the most powerful tools landlords have to accelerate write-offs, boost cash flow, and dramatically reduce tax liability.

While that is exciting for your next acquisition, there are still *plenty* of benefits to cost segregation on the existing rental property you've owned for years, using the typical straight-line depreciation method.

What Is Cost Segregation, in Plain English?

Cost segregation is a tax strategy that lets landlords break down the value of a rental building into parts that depreciate faster—like cabinets, appliances, flooring, and outdoor improvements.

Normally, the IRS lets you write off a rental property over 27.5 years. That's a long time to wait.

But with a cost segregation study, you can often shift 20–35% of your building's value into 5-, 7-, or 15-year buckets, meaning you can deduct a big chunk of it right away.

In 2025, that's even more powerful—because 100% bonus depreciation is back.

And for most of you who have owned your rental for 5–10 years and have been slowly depreciating it over 27.5 years — you might be missing out on tens of thousands of dollars in tax savings you could claim right now. Cost segregation lets you catch up on all the depreciation you could've taken in past years, all in one go — without amending a single return.

Translation: You could write off hundreds of thousands of dollars this year (on paper), even if you're cash-flow positive.

Qualifications - Part 1

As it relates to how you own the property:

If you own income-producing real estate, you probably qualify. Here's a breakdown:

Owner Type	Qualifies?	Notes
Rental property owner (SFH, duplex, multifamily)	✔ Yes	Standard use case
Condo owner who rents out unit	✔ Yes	Still eligible, just fewer components
Former home now used as rental	✔ Yes	Use adjusted basis as of "placed in service" date
Owner-occupant of a 2–4 unit (house hacker)	⚠ Partial	Can cost seg rental portion only—not owner unit
Short-term rental (Airbnb, etc.)	✔ Yes	May qualify for even better treatment if "materially participating"
Landlords renting via LLC or personally	✔ Yes	Entity type doesn't matter
Primary residence	❌ No	Cannot depreciate what you live in full-time

Qualifications - Part 2

As it relates to your employment:

It's not just the type of property that determines whether cost segregation makes sense — your employment situation and how you earn income can significantly impact the actual benefit.

Depending on how your income is structured, there may be ways to unlock more of the deduction:

W-2 Employees


- You may face passive loss limitations, meaning you likely won't be able to use the full depreciation benefit to offset your regular income — at least not right away. Still, it can create passive losses that roll forward and offset future passive income or gains from a sale.

Self-Employed / Business Owners

- Depending on your setup, there may be ways to structure things to unlock more of the deduction. For example, pairing certain business income with passive losses can create new tax planning opportunities.

Licensed Real Estate Professionals

- If you meet the IRS definition of a “real estate professional” (based on time spent and material participation), you may be able to treat rental losses as active, potentially offsetting a much larger share of your overall income — including other business or commission income.

 *Quick Reminder:* The real value comes from planning — not guessing. A quick conversation with your CPA (or one of our partners) can tell you whether your employment setup changes the math in your favor.

How does cost segregation work?

First, It's good to acknowledge that you can **still** do this if you've owned your property for a while and have been doing the typical straight line depreciation for years — and for many landlords, that's exactly when cost segregation can make the biggest impact. Here's how it typically works:

Cost segregation isn't something your CPA can just whip up in TurboTax — a proper cost segregation study is a detailed report, usually prepared by an engineering-based firm or a specialist that works alongside your accountant. We're working alongside **1245 Consulting**, a cost segregation company that is an expert in performing these studies on your real estate to increase depreciation.

Step 1: You've Been Doing It the Normal Way

If your accountant's been depreciating your property over 27.5 years, you're taking small annual deductions — probably 2–4% of the building's value each year. That's fine... but slow.

Step 2: You Hire a Cost Seg Pro

You bring in a specialist (not your regular CPA) who analyzes your building and splits it into faster-depreciating parts — things like flooring, cabinets, electrical, driveways, and appliances.

They'll do this based on current condition and estimated values, even if you've owned the property for 5, 10, or 15 years.

Step 3: The “Catch-Up” Play (This Is the Magic Part)

Let’s say you bought your building 8 years ago. You’ve slowly written off about \$80K in depreciation so far.

But a cost seg study reveals you could have written off \$180K by now.

With IRS approval (Section 481(a) adjustment), your accountant can claim the difference — that \$100K “missed depreciation” — all at once this year.

No amended returns. Just one adjustment on your current tax return.

Step 4: Use That Deduction to Reduce This Year’s Tax Bill

That \$100K deduction can offset rental income, capital gains, or — if you qualify — other types of income too. Depending on your tax rate, that might be \$30K–\$40K in real cash saved.

A Real World Example

In 2023, I bought a 4-unit in Millbury, MA and initially did the “normal” depreciation. In 2024, I had a cost seg study done — and unlocked an extra \$61K in depreciation — instantly.

That move alone saved me roughly \$25K in taxes this year. It was like finding money I didn’t even realize I’d already earned.

Who should seriously consider this?

You may want to explore cost segregation if:

- You’ve owned your property for 2+ years and never looked into this
- You’ve recently done major renovations (new roof, kitchens, etc.)
- You’re paying a decent amount in taxes and could use more deductions
- You or your spouse may qualify as a real estate professional
- You’ve got capital gains to offset this year
- You own multiple rentals or plan to expand your portfolio

If you’re interested in learning more, we invite you to register for a live webinar hosted by Wes Mabry, founder of 1245 Consulting, in the coming weeks. In the meantime, check them out at www.1245Consulting.com