A DE BEDOUT CPA GUIDE · 2026 EDITION

Real Estate Tax Strategies

How thoughtful tax planning can make the same investment significantly more valuable.

A boutique Miami CPA firm · English · Español · Português

BEFORE YOU BUY

The purchase price is only part of the investment.

Most buyers spend months negotiating the purchase price. Very few spend the same amount of time thinking about how the property will be owned, financed, depreciated, or eventually sold. Yet those decisions often have a greater impact on long-term wealth than negotiating another one or two percent off the purchase price.

We have seen two investors purchase nearly identical properties during the same year. Both generated similar rental income. Both experienced similar appreciation. Yet years later, one paid substantially less tax than the other.

The difference wasn’t luck. It wasn’t a hidden tax loophole. It was planning.

The most valuable tax strategies are usually available before closing. Once the deed is recorded, many of those opportunities become far more difficult, and sometimes impossible, to implement. That is why one of our favorite conversations with clients happens before they sign a purchase agreement, not after.

THE QUESTIONS WE ASK FIRST

Every property is different

Before recommending a strategy, we usually begin with questions like these.

- Will this property be a long-term investment, or do you expect to sell it within a few years?
- Will it produce rental income?
- Will you ever use it personally?
- Is the buyer a U.S. resident or an international investor?
- Will the property be owned individually, jointly, or through an entity?
- Could additional properties be purchased in the future?

None of these questions are complicated. Together, however, they determine which planning opportunities are available and which ones should be avoided.

THE FOUR STRATEGIES THAT MAKE THE BIGGEST DIFFERENCE

Where the real value is created

Depreciation

One of the most surprising concepts in real estate taxation is that a property can increase in market value while still generating annual tax deductions. The IRS allows qualifying buildings to be depreciated over time, creating deductions even when the investment itself continues to appreciate. For many owners, depreciation becomes one of the largest tax benefits associated with holding investment property.

Cost Segregation

Not every part of a building wears out at the same speed. Electrical systems, flooring, landscaping, parking areas, specialty improvements, and certain interior finishes may qualify for shorter recovery periods than the building itself. A cost segregation study identifies those components and accelerates depreciation into earlier years. For the right property, this can significantly improve cash flow during the first years of ownership. For smaller properties, however, the cost of the study may outweigh the benefit — this is one of those decisions where running the numbers matters more than following general advice.

1031 Exchanges

Selling an investment property does not always mean paying capital gains tax immediately. A properly structured Section 1031 exchange allows investors to defer those taxes by reinvesting the proceeds into another qualifying investment property. Timing is everything: the replacement property must generally be identified within 45 days, and the acquisition completed within 180 days. Those deadlines cannot be fixed after the sale closes. If a 1031 exchange might be part of your plan, it should be discussed before the property is listed for sale.

Entity Structure

Many investors ask whether every property should be placed inside an LLC. Sometimes the answer is yes. Sometimes it is not. The appropriate ownership structure depends on liability concerns, financing requirements, estate planning, future sales, and whether additional investors are involved. Choosing an entity simply because "everyone does it" often creates unnecessary complexity. Choosing one because it supports your long-term objectives usually produces much better results.

INTERNATIONAL INVESTORS

A conversation worth having early

For international investors, purchasing U.S. real estate introduces another layer of planning. Two issues appear frequently.

Two issues to plan for

FIRPTA withholding when the property is sold.

U.S. estate tax exposure — many international families are surprised to learn that U.S. real estate can become part of a taxable U.S. estate even when the owner lives permanently outside the United States.

Neither issue should discourage investment. Both simply deserve thoughtful planning before the acquisition takes place.

A mistake we see often

Some investors spend weeks negotiating the purchase contract, then call their CPA after closing. At that point, the property has already been purchased, the ownership structure has already been chosen, and several planning opportunities have already disappeared. Good tax planning is rarely about fixing yesterday's transaction — it is about making tomorrow's transaction more efficient.

Thinking about an investment property?

The right answer depends on your specific facts, not a rule of thumb. We map it out for your situation before you commit. Your first consultation is complimentary.

Book a consultation debedoutcpa.com

This guide is general information, not tax or legal advice. Real estate tax outcomes depend on your specific facts, property type, and residency status. Tax law changes and figures reflect 2026 federal rules. Please talk with us — and where appropriate, an attorney — before acting.