Net Lease Could Get Relief Under Tax Bill

It's all about extended bonus depreciation that buyers of certain properties could gain.

By Erik Sherman

The House has passed the Tax Relief for American Families and Workers Act of 2024 bill. There are a number of parts to it, and nothing will happen until the Senate passes it, after which President Biden would have to sign it — or offer a veto that would then be overridden.

But if all that happens, the business tax relief section includes an extension to 2025 of 100% bonus depreciation. That "would temporarily restore 100 percent bonus depreciation for equipment and other short-lived capital assets," as the Tax Foundation noted.

As Thompson Reuters explains, "Bonus depreciation is a tax incentive designed to stimulate business investment by allowing companies to accelerate the depreciation of qualifying assets, such as equipment, rather than write them off over the useful life of the asset. This strategy can reduce a company's income tax, which in turn reduces its tax liability."

"The TCJA allowed companies to fully deduct the cost of short-lived investments immediately, from the fourth quarter of 2017 until the end of 2022, after which it started to phase out by 20 percentage points per year: in 2023, companies were able to deduct 80 percent of their short-lived investment costs immediately; this year, companies will be able to deduct 60 percent immediately; and so on," the Tax Foundation wrote. "The bill would restore 100 percent bonus depreciation retroactively for investments made since the end of 2022 and maintain 100 percent bonus depreciation until the end of 2025."

There are some types of net lease properties — express car washes and combination fuel and convenience stores —that can particularly benefit from this, Samer Khalil, director Net Lease Capital Markets at Newhouse, tells GlobeSt.com.

"If it goes into effect, that caters to a wider audience," Khalil says. Many business owners don't want to become landlords, "so these passive triple net properties are attractive" with the potential of driving more net lease sales volume.

The deductions aren't across the board. Land is not depreciable. But still if the land value on a $1 million property is 20%, that leaves an $800,000 deduction.