

CHEAT SHEET

2026 Real Estate Investor Tax Cheat Sheet

A one-stop reference to the key tax provisions every real estate investor should understand in 2026.
Informational only — not tax advice. Consult a CPA.

Headline Changes (OBBBA)

Provision	2026 Status
Bonus Depreciation	100% — permanently restored (post-Jan 19, 2025)
Section 179 Cap	\$2.56M (phase-out at \$4.09M)
SALT Deduction Cap	\$40,000 (2026–2029)
1031 Like-Kind Exchanges	Fully intact
Opportunity Zones	Deferred gains recognize Dec 31, 2026
NIIT	3.8% on passive investment income

Capital Gains Rates

Type	Rate
Short-term (≤ 1 yr)	Ordinary income (10–37%)
Long-term (> 1 yr)	0% / 15% / 20% by income
Depreciation Recapture (Sec 1250)	Up to 25%
NIIT (high-income passive)	+3.8%
California State	Up to 13.3% (no LTCG preference)

Depreciation Schedule (Pre Cost-Seg)

Asset Class	Useful Life
Residential Rental Property	27.5 years
Commercial Real Property	39 years
Land Improvements	15 years (bonus-eligible)
Personal Property / Appliances	5–7 years (bonus-eligible)
Land	Non-depreciable

1031 Exchange Timeline

Day	Deadline
Day 0	Sell relinquished property — proceeds go to Qualified Intermediary
Day 45	Identify replacement property in writing (3-property rule)
Day 180	Close on replacement property
No exceptions, no extensions	Miss it → fully taxable

Real Estate Professional Status — Tests

Requirement	Threshold
Hours in real estate trade/business	>750 hours/year
Majority of working time	>50% in real estate
Material participation per property	Required (or elect to aggregate)
Benefit	Passive losses become active — offset W-2/business income

Common Deductible Expenses

Mortgage interest · property tax · insurance · property management · repairs (not improvements) · landlord-paid utilities · HOA dues · depreciation · travel (mileage) · home office · legal/professional fees · advertising · tenant screening

California-Specific Watch-Outs

- CA does **not** conform to federal bonus depreciation — separate state schedule.
- **Prop 13**: property tax base locked at acquisition; max 2% annual increase.
- **Prop 19**: inherited investment properties reassess to current value.
- **FTB 3840**: required annually after 1031 exchange of CA property into out-of-state replacement.
- **AB 1482**: statewide rent cap + just-cause eviction (with carve-outs).