

CPA Technical Brief

Cost Segregation for STR Properties

Prepared for: Tax Professionals and CPAs

Prepared by: Double My Rental

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*This document is intended for licensed tax professionals.
It provides the IRS code references, depreciation schedules,
and qualification criteria for short term rental cost segregation.*

Executive Summary

Double My Rental acquires, designs, and manages short term rental (STR) properties on behalf of high earning professionals. Our service includes a full cost segregation study performed by a licensed engineering firm on every property we place into service.

This brief provides the tax code framework your client can rely on for accelerated depreciation through cost segregation on STR investment properties.

KEY IRS CODE REFERENCES:

IRC Section 168	Accelerated Cost Recovery System (ACRS/MACRS) depreciation schedules
IRC Section 168(k)	Bonus depreciation (100% through 2026, phasing down thereafter)
IRC Section 469	Material participation rules for STR passive activity exceptions
IRC Section 280A	Personal use limitations for rental property
Rev. Proc. 87-56	Asset class lives for depreciation (5, 7, 15 year components)
Treas Reg 1.263(a)-3	Tangible property regulations for improvements vs repairs

Cost Segregation Methodology

A cost segregation study reclassifies components of a building from the default 27.5 year residential or 39 year nonresidential depreciation schedule into shorter lived categories:

Asset Category	Recovery Period	Typical % of Basis	Example Components
Personal Property	5 years	15 to 25%	Appliances, carpeting, cabinets, fixtures
Land Improvements	15 years	5 to 15%	Landscaping, paving, fencing, irrigation
Qualified Improv.	15 years	5 to 10%	Interior improvements post placement
Real Property	27.5 years	50 to 75%	Structural components, roof, foundation

Sample Property Analysis

Property Purchase Price	\$650,000
Depreciable Basis (excl. land)	\$520,000
Cost Seg Reclassified (30%)	\$195,000
5 Year Property (20%)	\$130,000
15 Year Property (10%)	\$65,000
Year 1 Bonus Depreciation (100%)	\$195,000
Tax Savings at 37% Bracket	\$72,150
Effective Tax Savings at 32%	\$62,400

STR Passive Activity Exception

Short term rentals (average stay < 7 days) are NOT automatically classified as passive rental activities under IRC Section 469. This is a critical distinction.

Under Treas. Reg. 1.469-1T(e)(3)(ii)(A), rentals with an average customer use period of 7 days or less are excluded from the definition of a rental activity. This means:

1. The activity is treated as a trade or business (not a rental)
2. If the taxpayer materially participates, losses are NOT subject to passive activity limits
3. Cost segregation deductions can offset W2 and active business income

MATERIAL PARTICIPATION TESTS (any ONE satisfies):

1. 500+ hours of participation in the activity during the tax year
2. Substantially all participation was by the taxpayer
3. 100+ hours AND no other individual participated more
4. Significant participation (100+ hrs) across multiple activities totaling 500+ hrs
5. Material participation in any 5 of the prior 10 tax years

Our Service Model

Double My Rental provides full service STR acquisition and management:

1. Property sourcing via proprietary data analysis (16 state coverage)
2. Acquisition support (DSCR/bank statement loans, 90% LTV)
3. Interior design and renovation management
4. Cost segregation study by licensed engineering firm
5. Listing optimization and dynamic pricing
6. 24/7 guest management, cleaning, and maintenance
7. Monthly financial reporting

Performance Guarantee: 10% minimum yield or management fee waived.

For questions or to verify any claims in this document:

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