# With the upcoming tax season, hotel owners are wondering what they should know before they file their 2021 tax return and how they should prepare for 2022.

*by Geraldine Serrano, Veritax Advisors (An AAHOA Allied Member)*

## 1. What should hotel owners do now in order to maximize deductions/minimize tax burden for the 2021 tax year?

My favorite tax mitigation strategy for hotel owners is cost segregation. Cost segregation is the process of breaking down a hotel into its component parts and reclassifying them for tax purposes. The benefit from cost segregation is accelerated depreciation, which will help reduce taxable income in the near term. The amount of accelerated depreciation a hotel owner can take via cost segregation depends on a multitude of factors, including whether the hotel is new construction or an existing building, the date it was placed in service, the condition of the hotel, and even where the hotel is located. An experienced cost segregation provider, like myself, will be able to assist the hotel owner in navigating the complexities of a cost segregation study.

## 2. What hotel property-related tax changes are on the horizon for 2022, and how should hotel owners prepare for them?

I wish so badly that I owned a crystal ball and could see the future of tax legislation. Unfortunately, all we can do is watch and wait. We have heard about many new tax proposals from the new administration. No one knows if any of them will become law. Since the U.S. Senate is evenly divided 50-50, it's unlikely that any extreme tax increase measure would be able to pass. Since we have so little clarity on what's going to happen from a tax standpoint, we need to make sure we take advantage of the very generous existing laws surrounding hotel ownership. My advice to hotel owners for 2022 would be to BUY MORE HOTELS before Congress can figure out how to eliminate the positive changes that were included in the 2017 TCJA (Tax Cuts and Jobs Act). For example, the 100% additional first-year deprecation deduction that was part of the TCJA goes away at the end of 2022, with the percentage being reduced to 80% in 2023, then to 60% in 2024, and 40% in 2025, and so on until it gets to zero. So, there's no better time than NOW to get into that next hotel. If you're waiting to see what's going to happen from a tax perspective, don't! Buy now and take advantage of the most generous depreciation expense environment in history before it fades away.

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*For the past eight years, Geraldine Serrano has been helping real estate owners, tenants, and CPAs use a strategic tax planning tool called cost segregation that allows companies and individuals who have constructed, purchased, expanded, or remodeled any kind of real estate to increase cash flow by accelerating depreciation deductions and deferring federal and state* *income taxes. She has been a member of the Council of Business Advisors, Commercial Real Estate Women (CREW) and the International Council of Shopping Centers. Her company, Veritax Advisors, is an AAHOA Allied Member.*

*Serrano has written articles for CREW about the indoor skydiving venue iFly and parking technology in the Bay Area. She also has written articles on the changes in the tax law affecting real estate owners for commercial real estate brokers. In addition, she has given presentations to CPAs for CPE credits, real estate brokers, bankers, attorneys, financial advisors, and real estate owners.*