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Tax breaks expiring at the end of the year could affect the real estate industry, according Bradford L. Hall, managing director of Hall & Co., a certified public accounting firm in Irvine.

Ball Dropping on Tax Breaks

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BY JULIE NAKASHIMA

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Dec. 31 signals not only the end of the year, but also the expiration of a couple of tax breaks that benefited the commercial real estate industry. Two of them have to do with the recovery period for qualified leasehold improvements on nonresidential and restaurant properties, while the third deals with the tax treatment of brownfield-remediation cleanup costs.

On the bright side, homebuilders who construct energy-efficient residences will receive a new tax credit in 2006.

These are the biggest tax changes affecting owners of commercial properties this year, according Bradford L. Hall, managing director of Hall & Co., a certified public accounting firm in Irvine.

Since Oct. 22, 2004, owners of office, retail, restaurant and industrial properties at least three years old have been able to accelerate the depreciation period for leasehold improvements to 15 years from 39 years. In order to qualify for the restaurant rehabilitation or remodeling provision, more than 50 percent of the building's

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