ACHARYA
CPA & CO.

Acharya CPA & Co.
acharyacpa.com

Guide · Real estate 8 min read

Taxes for Commercial Rental Owners: Plazas, Leased Gas Stations and Self-Storage

By Akanchya Acharya, CPA

Updated November 13, 2026 · Written for owners of commercial rental property

The short answer

A commercial building is normally written off over 39 years, but large parts of what you paid can be written off much faster. Paving, lighting and other site work is 15-year property, equipment is 5 or 7 years, and a qualifying gas station building is 15 years. For property acquired after January 19, 2025, those shorter-lived parts can be deducted in full in the first year. A cost segregation study is what separates the parts. Whether your rent qualifies for the 20% pass-through deduction, and whether losses can offset your other income, depends on how the property is leased and how much time you put in.

How commercial property is written off

What you own	Written off over
The building itself (plaza, warehouse, storage building)	39 years
Interior improvements to a commercial building made after it was first in use	15 years
Paving, parking lots, lighting, fencing, landscaping, signage	15 years
Equipment, fixtures, security systems, gates	5 or 7 years
A qualifying retail gas station building	15 years
Land	Never

The purchase price has to be split between land and everything else, and then between the building and the shorter-lived parts. Most owners who have never had this done are writing off everything over 39 years, or not writing it off at all.

Cost segregation and first-year deductions

A cost segregation study is an engineering review that identifies how much of a property belongs in the 5, 7 and 15-year groups. For property acquired after January 19, 2025, the law now allows 100% of those shorter-lived parts to be deducted in the first year, permanently. Property acquired before that date follows the older, lower percentages.

- Self-storage tends to have a large share of site work: paving, fencing, gates, lighting
- Plazas have parking, signage, and tenant build-outs
- A study costs money, so it is worth doing where the building is large enough for the deduction to pay for it several times over

> A large first-year deduction is only useful if you can use the loss. Read the section on passive losses before paying for a study.

Gas stations: the 15-year rule

A building used to sell fuel at retail can be 15-year property instead of 39-year property. The usual tests are that at least half of gross revenue comes from fuel, or at least half of the floor space is devoted to fuel sales, or the building is 1,400 square feet or smaller.

A station with a large convenience store that fails all three is treated as an ordinary 39-year building, though the pumps, canopy and paving keep their shorter lives either way. If you lease the station to an operator, the tests look at how the building is used, so you need the operator's sales figures and a floor plan on file.

Depreciation you never claimed

Depreciation lowers your basis in a property whether or not you claimed it. When you sell, the gain is figured as if you had taken it. If returns were filed without depreciation, a change in accounting method filed on Form 3115 can generally bring the missed amount into one year. If returns were never filed, depreciation is claimed on each late return as it is prepared.

Triple-net leases and the 20% deduction

The 20% deduction for pass-through business income is now permanent, and rental income can qualify if the rental is run as a business. The IRS offers a safe harbor for rentals where at least 250 hours of services are performed a year and separate books are kept. Property rented on a triple-net lease, where the tenant pays taxes, insurance and maintenance, is excluded from that safe harbor and has to qualify on its own facts.

Income inside a C corporation gets no pass-through deduction at all, and a C corporation that owns appreciated real estate faces tax at two levels when the property is sold. Which type of company holds each property matters.

When losses can offset other income

Rental losses are passive by default and can generally only offset passive income. The main exception is real estate professional status: a person who spends at least 750 hours a year, and more than half of their working time, in real estate businesses they take part in. In a family that manages its own properties, one spouse often qualifies. Hours have to be recorded as they happen.

Renting to your own business

Many owners hold the building in one company and run the business in another. The rent should be set at a market rate under a written lease and actually paid. Special rules can change how that rent is treated on your return, so it should be planned, not left to habit.

Frequently asked questions

How many years do you depreciate a commercial building?

39 years for the building itself. Site work such as paving and lighting is 15 years, equipment is 5 or 7 years, and a qualifying retail gas station building is 15 years. Land is not depreciated.

Is a cost segregation study worth it?

It is when the property is large enough that the faster deductions exceed the cost of the study several times over, and when you can actually use the resulting loss. Both should be checked before ordering one.

Does rental income from a triple-net lease qualify for the 20% deduction?

It is excluded from the IRS safe harbor for rental businesses, so it has to qualify on its own facts. Many triple-net rentals do not.

I never took depreciation on my building. Is it lost?

Usually not. If returns were filed without it, a change in accounting method can generally recover the missed amount. If returns were not filed, it is claimed on the late returns.

General information based on federal law for tax year 2026, not tax advice for your situation. State rules vary.

Want this applied to your situation? Book a free 30-minute call with Akanchya Acharya, CPA at acharyacpa.com/contact or email akansha@acharyacpa.com.

The latest version of this guide: acharyacpa.com/resources/commercial-rental-property-taxes · Updated November 13, 2026