

# As Investors Rush to Close STRs by Dec. 31, Foradis Highlights Documentation Stakes

*As investors rush to close short-term rentals before Dec. 31, WCG highlights Foradis and OBBBA's 100% bonus depreciation as key year-end tax lessons.*

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/EINPresswire.com/ -- With year-end short-term rental purchases accelerating, WCG CPAs & Advisors is urging investors to align tax strategy and documentation before December 31. The Tax Court's 2024 summary opinion in *Foradis v. Commissioner* (T.C. Summ. Op. 2024-13) remains a timely cautionary tale: losses from short-term rentals can be disallowed if

the facts don't support [real estate professional status](#) or [short-term rental loophole](#). At the same time, the OBBBA's restoration of 100% bonus depreciation for eligible assets placed in service after January 19, 2025, has renewed investor interest in year-end acquisitions—making correct classification and records even more critical.

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Offsetting your high W-2 income with a short-term rental takes participation and a cost segregation study combined with good tax planning.”

*Jason Watson, a real estate CPA and Partner at WCG CPAs & Advisors*



Short-Term Rental Loophole

In *Foradis*, taxpayers built a carriage house, began short-term renting in late 2020, reported minimal income, and claimed a large loss by asserting real estate professional status to offset W-2 wages. The court rejected the claim, concluding the taxpayer didn't meet the "more-than-half" personal-services test; it therefore treated the loss as passive and didn't reach the short-term rental "average stay of seven days or fewer" exception. The upshot for today's buyers: even with powerful 100% bonus depreciation tools now reinstated, losses won't offset non-passive income unless the activity is properly classified and

you can prove your level of participation.

For 2025 closings, real estate investors should confirm that rental properties are placed in service by year-end—ready and available for rent—and maintain contemporaneous evidence of operations, average stay length, advertising, bookings, and hands-on involvement. The recent One Big Beautiful Bill Act passed on July 4, 2025 restores 100% bonus depreciation and can apply to qualified property tied to rentals—typically shorter-life assets such as furniture, appliances, certain equipment, and land-improvement or other components identified in a [cost segregation study](#). The right mix of STR classification, participation, and cost-seg planning can materially change outcomes for taxpayers if deployed before year-end.

WCG recommends modeling both paths that commonly arise for STR owners: (1) treating the activity as non-passive via the short-term rental loophole exception with documented material participation; or (2) pursuing real estate professional status where facts support it. Each path has different evidentiary requirements, and outsourcing to a full-service manager can undermine the facts needed to keep losses non-passive. Solid logs of hours and activities, guest-stay data, and timely “placed-in-service” support are essential.

#### About WCG CPAs & Advisors

WCG CPAs & Advisors is a full-service tax and accounting firm based in Colorado Springs, Colorado. Serving clients nationwide with over 90 tax professionals, WCG specializes in small business owners, real estate investors and rental property owners. Learn more at <https://wcginc.com>

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