

Tax Logic CRE Explains Why Hotel Investors May See Large First-Year K-1 Losses

New guide explains how cost segregation, bonus depreciation and passive-activity rules can affect hotel limited partners' Schedule K-1s.

CHARLOTTE, NC, UNITED STATES, August 12, 2026 /EINPresswire.com/ -- [Tax Logic CRE](#) has published a new educational guide for limited partners in hotel investments who receive a Schedule K-1 showing a larger first-year tax loss than expected.

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The distribution is cash. The K-1 loss may be heavily influenced by depreciation. They measure different things, and hotel investors should understand both.”

Nick Coppola, Founder, Tax Logic CRE

The guide, “Reading Your K-1 as a Hotel Limited Partner: Why the Loss Is So Big,” explains how depreciation can produce a substantial tax loss even when the hotel itself has not experienced a comparable economic loss.

“One of the most confusing things for a passive hotel investor is receiving cash distributions while

simultaneously seeing a large loss on the K-1,” said Nick Coppola, founder of Tax Logic CRE. “Those two numbers are measuring different things. The distribution is cash. The K-1 loss may be heavily influenced by depreciation.”

The guide also explains why many operating hotels may not be treated as rental activities for purposes of Internal Revenue Code §469. Short customer-use periods and services provided to hotel guests can affect how the activity is classified and how partnership income or loss is reported.

That distinction does not automatically make a hotel investment nonpassive for a limited partner. An investor who does not materially participate may still hold a passive trade-or-business activity.

The ability to currently deduct a reported loss can therefore depend on factors including passive income, adjusted outside basis, at-risk limitations and other applicable tax rules.

[Cost segregation](#) can also materially affect the timing of hotel depreciation. A properly prepared cost segregation study may identify qualifying building components and site improvements that can be depreciated over shorter recovery periods rather than remaining part of the 39-year

commercial building structure.

Under current law, certain qualified property acquired and placed in service after January 19, 2025 may qualify for 100% additional first-year depreciation, subject to the requirements of §168(k).

That accelerated depreciation can contribute to a larger first-year K-1 loss for a hotel partnership.

“The purpose is not to replace an investor’s CPA,” Coppola said. “It is to help owners, sponsors and limited partners understand how depreciation fits into the after-tax economics of the deal before they make assumptions about what a K-1 loss actually means.”

The full guide is available at:

<https://taxlogiccre.com/hotel-k1-limited-partners/>

About Tax Logic CRE

Tax Logic CRE helps commercial real estate owners, investors, sponsors and advisers identify tax considerations that can affect the after-tax economics of a real estate transaction or investment. Its work includes cost segregation, accelerated depreciation, qualified improvement property and commercial real estate renovation strategies, working alongside the client’s existing CPA and advisory team.

For more information, visit <https://taxlogiccre.com/>.

This release is for general educational purposes and does not constitute tax, legal or investment advice. Tax treatment depends on the specific facts of each property, partnership and investor.

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