

## Rental Losses – Real Estate Professionals

Real estate professionals who meet eligibility requirements are able to use losses from rental real estate as deductions from nonpassive income. The \$25,000 active rental loss limitation does not apply to these taxpayers.

### Eligible taxpayers

Individuals and closely held C corporations must materially participate in their rental real estate activities to qualify for unlimited loss deductions.

### The following requirements must also be met:

More than 50% of the individual's personal services during the tax year is performed in real property trades or businesses in which the taxpayer materially participates, and

The individual spends more the 750 hours of services during the tax year in real property trades or businesses in which the taxpayer materially participates.

### Real property trades or businesses

Defined as any real property development, redevelopment, construction, reconstruction, acquisition, conversion, rental, operation, management, leasing or brokerage trade or business.

Material participation of a spouse cannot be combined with the other spouse. One spouse must separately satisfy the requirements of eligible taxpayers.

***I have read the eligibility requirements to be considered a Real Estate Professional under IRC section 469(c)(7). I understand that I must keep a record of hours spent to meet those requirements. I hereby verify to Business By Design, Inc., that I am a Real Estate Professional under the Internal Revenue Code.***

---

**Signature**

---

**Date**

\*This information should be used as a guideline. Specific questions regarding this "Biz Facts" should be directed to a Business by Design tax professional.