PRIME

BOX HOUSING *INVESTMENT*



Box housing investments combine real estate, leveraged depreciation, and alternative housing solutions into a single investment strategy. These investments typically involve modular or container-based housing units that are leased to operators providing workforce housing, disaster relief housing, or temporary accommodations in remote locations. Investors generally participate through a partnership structure and receive annual tax reporting through a Schedule K-1.

One of the primary attractions of this strategy is the potential for significant depreciation deductions. Because these investments are often financed with a combination of investor capital and debt, depreciation may be calculated on the full value of the housing assets rather than just the cash invested. This can create substantial paper losses that flow through to investors.

In certain circumstances, those losses may be used to offset ordinary income if the investor materially participates in the activity. For high-income taxpayers, this can create meaningful tax savings while also providing exposure to an income-producing real estate investment.

QUALIFICATIONS

This strategy is generally designed for high-income investors who are looking for both investment returns and tax-efficient ways to reduce taxable income.

A strong fit often includes:

- **You have significant taxable income.** The value of depreciation deductions generally increases as your tax bracket increases.
- **You are comfortable with alternative investments.** Unlike traditional stock market investments, box housing involves real estate operations, financing arrangements, and operational risk.

- **You are willing to take an active role in the investment.** The most favorable tax treatment often depends on material participation, meaning you must be meaningfully involved in certain operational aspects of the activity.
- **You understand the tradeoff between tax benefits and investment risk.** While the depreciation benefits can be substantial, factors such as occupancy rates, financing obligations, operator performance, and future depreciation recapture should all be considered.
- **You have a long-term investment mindset.** This strategy is typically most effective for investors who are focused on both tax planning and long-term wealth accumulation.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click **here**.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
or contact **(855) 577-4639** for more information.

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