PRIME

REAL ESTATE PROFESSIONAL STATUS (REPS)



If you own rental real estate, you may have heard that rental losses are generally considered "passive" and can only be used to offset passive income. Real Estate Professional Status (REPS) is a special tax designation that can change that treatment for qualifying taxpayers.

When you qualify as a real estate professional under IRS rules, rental real estate activities may no longer be subject to the same passive loss limitations. This can allow losses from depreciation, cost segregation studies, and other real estate deductions to offset ordinary income from other sources.

For real estate investors with substantial holdings, this can create significant tax savings. In the right circumstances, REPS can transform real estate from a long-term wealth-building tool into a powerful current-year tax planning strategy.

QUALIFICATIONS

This strategy is generally geared toward individuals who are heavily involved in real estate as a profession, not simply passive investors.

To qualify, real estate activities typically need to represent a significant portion of your working time throughout the year. Because of this, REPS is often a strong fit for:

- **Full-time real estate professionals,** such as agents, brokers, developers, property managers, or investors who actively manage their portfolio.
- **Individuals transitioning from another career into real estate** and spending the majority of their working hours on real estate activities.
- **Married couples where one spouse is heavily involved in real estate,** even if the other spouse earns substantial income elsewhere.

IMPLEMENTATION

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



WHY IS THIS SUCH A POWERFUL STRATEGY?

Many real estate investments generate substantial paper losses through depreciation, even when the property is producing positive cash flow.

Without Real Estate Professional Status, those losses may be limited by passive activity rules. With REPS, qualifying taxpayers may be able to use those same losses to offset income from other sources, potentially creating significant tax savings while continuing to build long-term wealth through real estate.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
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