PRIME

SHORT-TERM RENTALS



If you're looking for a way to combine real estate investing with meaningful tax savings, short-term rentals can offer a unique opportunity. Unlike traditional long-term rental properties, qualifying short-term rentals may allow certain real estate losses to offset other types of income without requiring Real Estate Professional Status.

This strategy has become increasingly popular among business owners and high-income earners because it can generate substantial deductions through depreciation and cost segregation while still producing rental income. In the right circumstances, those deductions can be used to reduce taxable income from sources outside of real estate.

While many investors are initially attracted to short-term rentals because of their income potential, the tax treatment is often what makes this strategy especially compelling.

QUALIFICATIONS

This strategy is generally best suited for individuals who own—or are considering purchasing—a property that can be operated as a short-term rental.

This strategy tends to be a strong fit if:

- **Properties rented on a short-term basis.** Generally, the average guest stay must be relatively brief compared to a traditional long-term rental arrangement.
- **Owners who are actively involved in the operation of the property.** This may include managing bookings, coordinating cleanings, communicating with guests, or overseeing day-to-day operations.

IMPLEMENTATION

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

- **Individuals with significant taxable income.** The strategy is often most impactful when there is income available to offset with real estate deductions.
- **Investors seeking both cash flow and tax benefits.** Many people are drawn to short-term rentals because they can potentially generate higher revenue than traditional rentals while also creating valuable tax planning opportunities.



HOW IS THIS DIFFERENT FROM REAL ESTATE PROFESSIONAL STATUS?

Many real estate investors assume they need Real Estate Professional Status to use rental losses against other income. In some cases, a qualifying short-term rental can provide similar tax benefits without requiring the investor to meet the strict time requirements associated with REPS.

That's one reason short-term rentals have become such a popular planning strategy for business owners, professionals, and other high-income taxpayers who want the benefits of real estate deductions without making real estate their full-time profession.

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
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