

The Tax Code Rewards Investors. Here's Where.

Five tax angles worth knowing before you buy, renovate, or list your next property. Plain English, DMV and WV.

DEPRECIATION

COST SEGREGATION

STR LOOPHOLE

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INVESTOR-FIRST REAL ESTATE

Real estate is one of the only assets the tax code actively rewards you for owning. None of this replaces your own CPA. **It's a map so you know what to ask about.** Five angles that come up most with my investor clients:

1

THE BASELINE

General Depreciation

Write off a rental building's value over **27.5 years** (39 commercial), even as it appreciates in real life. That paper loss offsets rental income every year you own it. Land itself isn't depreciable.

2

FIX IT, WRITE IT OFF

Capital Improvements

Repairs are deducted the year you pay for them. Improvements like a new roof or a renovated kitchen get capitalized and depreciated instead, but the right components can be accelerated. That's the bridge to cost segregation, below.

3

MATERIAL PARTICIPATION

The 100-Hour Test

One of seven IRS material-participation tests: **100+ hours in the year, and more than anyone else**, including a property manager. This is what turns a passive rental loss into one you can actually use.

4

THE BIGGER UNLOCK

Real Estate Professional Status

750+ hours a year, and more than half your total working time, in real property trades. A higher bar than the 100-hour test, and it's what lets rental losses offset any income. See the callout below.

CLEARING UP THE MOST COMMON MIX-UP

100 Hours vs. 750 Hours: They Answer Different Questions

100-HOUR TEST

One of seven ways to show **material participation** in a property. No real estate license or career change required. It's the test most STR owners lean on (see #5).

750-HOUR TEST

Part of qualifying as a **Real Estate Professional** (REPS) under IRC §469(c)(7), plus more than half your working hours in real estate. Much harder with a demanding W-2 job.

5

THE ACCELERATOR

Cost Segregation Studies

An engineer reclassifies parts of your property (flooring, fixtures, site work) into 5-, 7-, and 15-year buckets instead of 27.5/39. Paired with 100% bonus depreciation, now permanent, those pieces can be fully deducted in year one.



BEFORE YOU BANK ON ANY OF THIS

Get It In Writing From a CPA

Every strategy above is real and situation-specific. Your income, filing status, and title all change the math. **Ask me and I'll send my go-to CPA and cost seg recommendations**, people I trust with my own returns.

STRATEGY SPOTLIGHT · THE SHORT-TERM RENTAL LOOPHOLE

Run a property as a short-term rental with an **average stay of 7 days or less**, and the IRS stops calling it a "rental activity" and taxes it like a small hospitality business, so passive-loss limits don't apply. Hit material participation (often that same **100-hour test**), and paper losses from bonus depreciation and cost segregation can offset your **active W-2 income**, no Real Estate Professional Status required.

A Note From Lexie

I underwrite every deal with taxes in mind, but I'm not your CPA. I can point you to the people I trust to make these strategies bulletproof, and help you find the property where the numbers actually work.

YOUR NEXT STEP

Want my CPA & cost seg recommendations?
Just ask and I'll send them over.

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