

Real Estate Tax Strategy Workbook

Maximize Your Tax Benefits Through Strategic Planning

ENTITY STRUCTURE COMPARISON

Sole Proprietorship:

- Simplest structure, no separate entity
- All income/losses on personal return
- No asset protection
- Best for: Starting with 1-2 properties

Single-Member LLC:

- Asset protection from personal liability
- Pass-through taxation (no double tax)
- Flexible management structure
- Best for: Most rental property owners

Partnership/Multi-Member LLC:

- Multiple owners with defined percentages
- Pass-through taxation to partners
- Operating agreement defines roles
- Best for: Joint ventures, family investments

COMMON TAX DEDUCTIONS

Operating Expenses:

- Mortgage interest
- Property taxes
- Insurance premiums
- Property management fees
- Repairs and maintenance
- Utilities (if paid by landlord)
- HOA fees
- Legal and professional fees
- Advertising and marketing
- Travel expenses for property visits

Depreciation:

- Residential: 27.5 years straight-line
- Commercial: 39 years straight-line
- Cost segregation for accelerated depreciation
- Bonus depreciation on qualifying improvements

Home Office Deduction:

- Exclusive use for rental business
- Percentage of home expenses
- Direct expenses fully deductible