

# Tax Strategies for Real Estate Professionals



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“The Chinese use two brush strokes to write the word 'crisis.' One brush stroke stands for danger; the other for opportunity. In a crisis, be aware of the danger--but recognize the opportunity.”

— John F. Kennedy

- Great time to re-evaluate our business
- Understand the power that a business owner holds - especially real estate professionals
- Small changes can have great accumulated results

\$10,000 invested yearly over 10 years can result in around -

\$200,000

By understanding the tax savings opportunities a business owner has and using these to your advantage.

# Tax Strategies for Real Estate Professionals

1. Entity Selection
2. Commonly Overlooked Tax Strategies
  - Hiring Family
  - Retirement Plans
3. Section 280a
4. Short Term Rental (STR) Loophole

# Entity Selection

	Sole Proprietor/ LLC	S-Corporation	
		Wages	Distribution
Net Income	\$100,000	\$50,000	\$50,000
S.E. Tax or Equivalent (15.3%)	\$15,300	\$7,650	-
Federal Taxes	Equal	Equal	
State Taxes	Equal	Equal	
Tax Savings	-	\$7,650	

# Hiring Family Members

- Formalize Working Relationship with Family
- College Planning
  - Pay children and not college
- Other Advantages
  - Children begin their wealth building journey
  - Retirement plans for family



# Retirement Plans

- SEP IRA / Solo 401k - higher contribution limits
- Simple Plan
- Employee and Employer Contributions
- Use retirement plans to both save tax and plan for retirement



# Section 280a

- Work ON your business, not IN your business
- Section 280a rule
- 14 days at
  - \$2,000 = \$28,000
  - \$3,500 = \$49,000
  - \$5,000 = \$70,000
- Must be fair market value

# Short Term Rental (STR) Loophole

- Taking Tax Losses
  - Can take tax losses with material participation
- Cost Segregation Study
  - Use tax losses to offset income from other sources

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How would \$200,000 impact your life -

By understanding the tax savings opportunities a business owner has and using these to your advantage.