CPA
Practice Advisor

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

Ken Berry • Jan. 19, 2023

The Tax Blotter is a round-up of recent tax news.

The tax law provides generous tax breaks to investors in real estate, but there are several key tax pitfalls to watch out for.

Be more active. Generally, deductions resulting from passive activities are limited to the income received from passive activities, so you can't write off a current loss. Real estate is automatically treated as a passive activity. However, you can use up to $25,000 of loss to offset non-passive income if you are an active participant in a real estate activity. The $25,000 real estate loss offset is phased out for a modified adjusted gross income (MAGI) between $100,000 and $150,000 of MAGI.

Swap in time. If you sell investment real estate, you generally have to pay capital

Hello. It looks like you're using an ad blocker that may prevent our website from working properly. To receive the best experience possible, please make sure any blockers are switched off and refresh the page.

If you have any questions or need help you can email us

qualify as a real estate professional. Notably you must spend at least half of your personal services time on real estate and log in more than 750 hours at the activity. New case: A couple reported substantial real estate losses but neither could establish from records that they individually satisfied either part of the tax law test. Accordingly, the losses were denied (Dunn, TC Memo 2022-112, 11/29/22).

Income Tax • IRS • Taxes

CPA Practice Advisor is registered with the National Association of State Boards of Accountancy (NASBA) as a sponsor of continuing professional education on the National Registry of CPE Sponsors.

© 2024 Firmworks, LLC. All rights reserved