



Real Estate Investors are in a very unique situation when it comes to positioning themselves in a stance to build-tax efficient wealth. However, steps should be taken to safeguard assets and minimize tax liability. Here are a few tips:

- **Liability Protection:** Form an LLC to cleanly manage business inflows and outflows while protecting assets. ([Sole Proprietorship vs LLC vs S-Corp](#))
- **Depreciation:** Expense home appliances and infrastructure improvements on an individual basis over their [service life](#) instead of the aggregated 27.5 yr resident or 39 yr commercial depreciation
- **Expenses:** Cash out business mileage on a monthly basis by running it through your entity ([sample mileage log](#))
- **Property Exchanges:** Use [§1031](#), like-kind exchanges, on property to minimize recognized gain by deferring realized gains
- **Retirement:** Utilize IRAs and 401ks to defer paying taxes (SEP IRA, Simple IRA, S-401k)
- **Active Losses:** Qualify as a real estate professional to take active losses instead of passive losses:
 - Spending 750+ hours in real property business
 - Greater than 1/2 time spent
 - [IRS Exception](#) (<150k AGI)