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Advanced Rental Real Estate Issues



Objectives

At the end of this learning experience, you will be able to explain:

- What “interest tracing” means
- The concept of “deferred deductions”
- The impact when a property is converted to/from personal use
- Deferred gains opportunities
- Implications of foreign owned property



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Interest Tracing

- Treas Reg 1.163-8T
- Form 1098 Mismatch Potential
- Points Paid



Interest Tracing (cont'd)

Personal Residence Debt

Use	Deductibility
Qualified Home debt up to \$1 million	Schedule A
Up to \$100K home equity	Schedule A
Election to treat as "Not Secured by a Qualified Residence"	Trace to Activity



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Interest Tracing (cont'd)

Rental / Investment Property Debt

Use	Deductibility
Investment Property	Investment Interest Expense
Rental property	Property Expense (possibly capitalized)
Another Activity	Trace to activity
Residence or other personal asset/expense	Not deductible



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Deferred Deductions

- Passive Activity Loss Limitations
 - Form 8582
 - \$25K Special Allowance
- Real Estate Professional considerations
 - Aggregation
 - Material Participation
- Triggering Events



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Conversion to/from Personal Use

- Loss Computation
- Personal Residence Exclusion
- Fair Market Value (FMV) at Conversion



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Deferred Gains

- Like Kind Exchange at IRC 1031
 - Personal Residence
- Involuntary Conversion at IRC 1033



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Foreign Property

- Travel Costs
- Depreciable Life
- Deemed personal use



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Resources

- www.irs.gov
- Pub 527, Residential Rental Property
- Pub 535, Business Expenses, Interest
- Pub 544, Sales and Dispositions of Assets
- Pub 547, Casualties, Disasters, and Thefts
- Pub 925, Passive Activity and At-Risk Rules



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Hot Topics on IRS.gov	Search Word(s)
IRS Future State	future state
IRS Audits	audits
Tax Scams – How to Report Them	tax scams
Identity Theft	ID theft
Voluntary Certification Program for Professional Employer Organizations (CPEOs)	CPEO
Sharing Economy	Sharing Economy
Offer in Compromise	Offer in compromise
E-Services – Online Tax Tools	eservices
Private Debt Collection	private debt collection