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Final Reminder to Group Rental Real Estate Investments and Save You \$\$\$

REAL ESTATE

BY [CARL SCHARE](#)

A taxpayer who is a [real estate](#) professional and participates in the management of multiple rental real estate properties may make an election on his or her 2013 tax return to treat the separate rental properties as a single rental activity for the purpose of determining whether the taxpayer materially participated. This opportunity will allow the taxpayer to satisfy his or her service/hour requirements with respect to the material participation rules previously discussed here <https://www.schneiderdowns.com/real-estate-professional-status-scrutiny> and bypass any passive activity loss limitations.

As a result of the single activity grouping election, a taxpayer's rental real estate activities are considered non-passive (or "active"). Non-passive activities are not subject to the 3.8% Net Investment Income (NII) Tax, therefore, saving you \$38k on \$1M of net rental real estate income. In addition to NII tax savings, regular tax savings are received on any grouped rental real estate activity losses that may have otherwise been disallowed due to passive loss limitations.

For further discussion on whether you materially participate as a real estate professional and if your rental real estate investments constitute a trade or business, please contact your SD representative.

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