

The Real Estate Bulletin

NEWS

Cape May, NJ

Your Local Source for Real Estate

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Tax Tips for Real Estate

Investment Property:

- **Rental Real Estate Losses** are generally deductible up to \$25,000/yr. , if you actively participate in the management of the property (i.e. actively rent the property).
- Generally, if a person files an individual income tax return with **greater than \$150,000 in adjusted gross income**, they will not be able to currently deduct the rental real estate losses against other income.
- If you use your rental property for **more than 14 days for personal use**, the rental expenses are limited to rental income.
- **Common Depreciation Items:**

	<u>Year</u>	Land is not depreciated.
Residential Rental Real Estate	27.5	
Commercial Rental Real Estate	39	
Furniture & Fixtures	7	
Computers/Equipment	5	
- **Many states, including NJ, may use a different depreciation calculation method** than the IRS, which will result in a different gains & losses on your federal and state tax returns.
- Generally if a **rental property is sold**, the gain is federally **taxed at 25%** up to depreciation and **15%** on the remaining capital gain.
- Generally **real estate developers** are taxed at **ordinary income tax rates** plus **self-employment tax**.
- **An IRS Section 1031 tax-deferred exchange** should be considered when swapping **an income producing/investment property** that will result in a capital gain. Be aware that you only have **45 days to identify** the property you are acquiring in the exchange, and that the exchange must be completed within **180 days of the sale of your investment property**.



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