



Active or Passive?

Tax Strategies for Active & Passive Real Estate Investors

1.0 CPE Credit

With our speakers,

Warren Dazzio

Executive VP of
Sales

Robert Taylor

Executive VP of
Operations

Dan Boyd

VP of Sales

Course content audited by, and certificates provided by CSSI, registered sponsor NASBA ID 168142.

For more information regarding concerns, program cancellation policies and course content, please email beth.dale@cssiservices.com.

State boards of accountancy have final authority on the acceptance of individual courses for CPE credit.

Complaints regarding registered sponsors may be submitted to the National Registry of CPE Sponsors through its website: www.NASBARegistry.org.

CPA CPE 1.0 hrs Credits

No prerequisites needed!



For all knowledge levels.



Group Live via Live Webinar

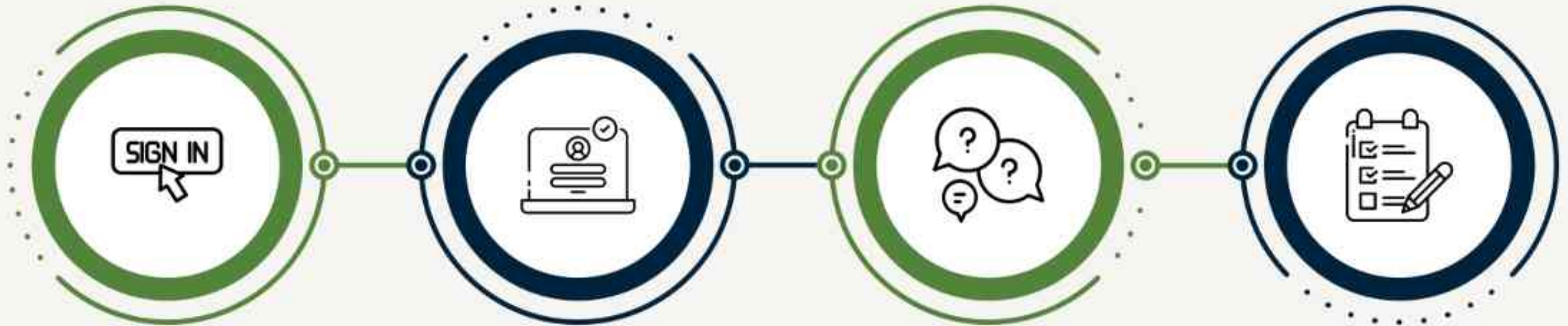


Field of Study: Taxes



This is a free course.

CPA's 1.0 hrs Credit Certificate Requirements



Must have signed in with the link provided upon registration.

Must remain logged in and engaged for the duration of the presentation.

Must answer all 4 pop-up questions during the course.

Please complete the pop-up survey that appears when you exit the course.

If any one of these requirements is not met, a certificate cannot be issued, per NASBA standards.

Questions sent to Beth.Dale@CSSIServices.com

Certificates issued by CSSI within 2-3 Weeks for CPAs Exclusively. Questions? Beth.Dale@CSSIServices.com

2026 CPE for CPAs Schedule

Please reach out to your
CSSI contact or
beth.dale@
cssiservices.com for
addiitonal information.

Feb 11th - Wed	11:30am Central	Registration Link	R&D and the OBBBA: Important Updates for 2026 and New Filing Requirements
Mar 18th - Wed	12:00pm Central	Registration Link	What to Know About Section 179D and How to Retroactively Capture Deductions Via 3115
Apr 29th - Wed	11:30am Central	Registration Link	Repair Regulations: How to Expense Repairs and Maximize Deductions
May 13th - Thu	12:00pm Central	Registration Link	Active or Passive? Tax Strategies for Active & Passive Real Estate Investors
Jun 9th - Tue	1:00pm Central	Registration Link	Calculating the R&D Tax Credit: Understanding How the Credit is Calculated and Claimed on the Form 6765
Jul 22nd - Wed	1:00pm Central	Registration Link	Tangible Property Regulations: How to Identify Opportunities for Major Deductions
Aug 12th - Wed	11:30am Central	Registration Link	R&D Tax Credits: Differences Between Filing Timely and Amending for Prior Years
Sept 23rd - Wed	12:00pm Central	Registration Link	Active or Passive? Tax Strategies for Active & Passive Real Estate Investors
Oct 28th - Wed	1:00pm Central	Registration Link	Beyond Cost Segregation: A Deep Dive Into Accelerating Depreciation and Expensing Strategies
Nov 19th - Thu	12:00pm Central	Registration Link	Who Qualifies for R&D Tax Credits? How to Identify Clients Qualify for the R&D Tax Credit
Dec 15th - Tue	1:00pm Central	Registration Link	Form 3115: Capture Accelerated Depreciation Retroactively

Meet The Presenters



Dr. Dan Boyd is a vice president and sales leader for CSSI, the nation's leading cost segregation and specialty tax firm. He holds a doctorate in education from the University of Central Florida and joined CSSI to expand and improve their training, education, and development program.

He represents CSSI nationally for professional development, conferences, and investor networks.

Daniel Boyd

Vice President of Sales

CSSI – Cost Segregation Services, LLC.
407.451.8996

- ▶ Daniel.boyd@CSSIservices.com
- ▶ <https://cssiservices.com/sales/daniel-boyd/>

Meet The Presenters



Robert earned both his B.S. in Finance and his MBA from Louisiana State University. His role in the company is to oversee the engineering process ensuring that the Cost Segregation Studies are completed accurately and on time.

In addition, he assists tax professionals in applying cost segregation studies calculations to their clients' tax returns.

Robert Taylor

Executive Vice President of
Operations

CSSI – Cost Segregation Services, LLC.
225-215-0722

- ▶ Robert.Taylor@CSSIservices.com
- ▶ cssistudy.com

Meet The Presenters



Warren is a natural leader and brings ethics and integrity into every aspect of his life and work. He spent the first 20 years of his career in ministry and has a degree in theology from Franciscan University in Steubenville, OH. Warren also has an MBA from Louisiana State University.

Warren Dazzio

Executive Vice President - Sales

CSSI – Cost Segregation Services, LLC.
225-241-9823

- ▶ Warren.Dazzio@CSSIservices.com
- ▶ <https://cssiservices.com/sales/warren-dazzio/>

Course Overview

Real estate tax benefits can vary dramatically depending on whether a client is considered an active or passive investor. Misclassification can mean missed opportunities—or costly mistakes.

This interactive one-hour course clarifies the rules and strategies surrounding passive activity losses, real estate professional status, and material participation tests. We'll also cover grouping elections, short-term rental exceptions, and practical tax planning approaches that can shift outcomes significantly for clients with real estate holdings.

You will leave with actionable insights to confidently navigate active vs. passive classifications and unlock strategies to maximize deductions, minimize risk, and optimize tax results for real estate investors.





Course Overview

By the end of this session, participants will be able to:

- Distinguish between active and passive activity classifications under IRS rules.
- Apply material participation tests to determine client eligibility for active activity status.
- Evaluate when real estate professional status applies and how it impacts deductions.
- Recognize planning opportunities with passive activity losses, including grouping elections.
- Identify exceptions for short-term rentals and their tax implications.
- Develop strategies to optimize tax outcomes for both active and passive real estate investors.
- Confidently advise clients on structuring real estate activities to align with their financial goals and tax advantages.

The CSSI Platform



Cost Segregation

Leveraging accelerated depreciation on commercial properties to maximize tax savings for property owners nationwide.



Section 179D

Energy-efficient tax deductions for placing in service eligible energy-efficient items or upgrades in commercial buildings.



R&D Tax Credits

Government incentives rewarding businesses that engage in the development of new products, processes, or technologies.



Repair Regulations

Experts in the details of translating what the IRS allows as a repair vs what the IRS requires your clients to define as an improvement and capitalize. Our consulting differentiates us from any other specialty tax firm.

Cost Segregation Bucket Analogy

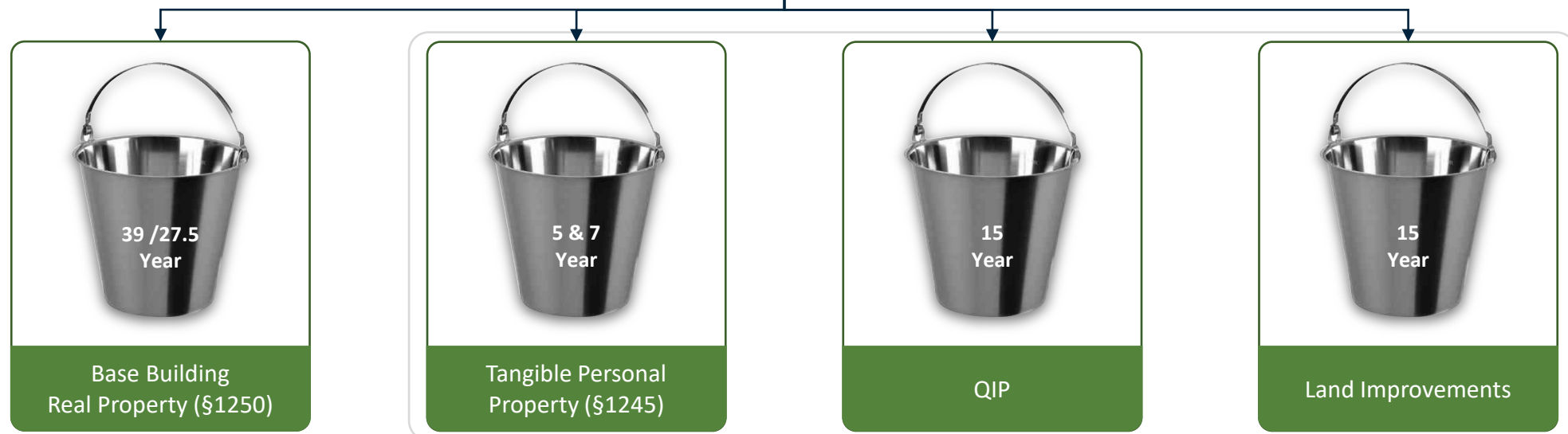
Base Building
Real Property (\$1250)
Without Land



OBBB Change = Return of 100% Bonus

Cost Seg Study is the input document that
qualifies building asset by class life and value
that are

Eligible for Bonus Depreciation
(< 20 -year life)



Cost Segregation Bucket Analogy



39 / 27.5
Year

Base Building Real Property (\$1250)

- ▶ Structural
- ▶ Foundation
- ▶ Walls
- ▶ Doors/Windows
- ▶ HVAC
- ▶ Plumbing
- ▶ Electrical
- ▶ Building Systems



5 & 7
Year

Tangible Personal Property (\$1245)

- ▶ Decorative
- ▶ Moldings
- ▶ Carpet/Flooring
- ▶ Cabinets /Counter tops
- ▶ Specialty Plumbing
- ▶ Specialty Electrical
- ▶ Cable Building Systems



15
Year

QIP Real Property (\$1250)

- ▶ Interior Renovations
- ▶ Sheet Rock
- ▶ Flooring
- ▶ Lighting
- ▶ Int. Plumbing / Elec
- ▶ Int. HVAC
- ▶ Paint



15
Year

Land Improvements (\$1250)

- ▶ Parking Lot/Striping
- ▶ Concrete/Asphalt
- ▶ Signs/Flagpole
- ▶ Landscaping
- ▶ Light Poles
- ▶ Fences / Gates

Cost Segregation: Sample Studies



Self Storage

- ▶ 2017 purchase: \$859,842
- ▶ Non-climate control
- ▶ Tax savings of \$45k



Apartment Building

- ▶ 2014 construction: \$1.2M
- ▶ Tax savings of \$63k



Dental Office

- ▶ 2008 Purchase: \$1 Mill shell
- ▶ Improvements: \$450,000
- ▶ Tax savings of \$74k in 2018



Multiple Office Complexes

- ▶ 12 Locations
- ▶ Some purchased as far back as 1999
- ▶ Previously owned older properties
- ▶ Created a \$5.3 Million deduction
- ▶ Tax savings of \$2.1M



**OBBB
Change**

R&D Tax Credit Benefits

The R&D Tax Credit was established to encourage business investment in research and innovation. It was made permanent in 2015 with many states offering their own state-tailored benefits. It allows companies to reduce their income tax liability for the current year and a 3 year lookback. The OBBB Allows full expenses for domestic R&E from Jan. 1, 2025. There are several benefits to realizing the R&D tax credit.

These benefits can include the following:



Up to 8-10 cents of R&D tax credit for every qualified dollar



Dollar-for-dollar reduction in your client's federal and state income tax liability



Reinvest in the company with improved cash flow



Supports start-ups by offsetting the payroll tax

What are Qualified Research Expenses?



Salaries & Wages

- Majority of the tax credit is Wage Based



Supply Costs

- Used or consumed during research & Experimentation



Contractor Costs

- 65% of qualifying costs are eligible



Common qualifying industries



Manufacturing



Software / Tech



Life Sciences



Engineering



Architecture



Aerospace



Food Sciences



Construction

A blurred background image of a business meeting with several people in professional attire. Overlaid on the image are green hexagonal patterns in the top right and bottom left corners. The text "Polling Question # 1" is centered in a bold, white font.

Polling Question # 1



What Is The Section 179D Tax Deduction?

The 179D Energy Efficient Commercial Buildings Tax Deduction, aims to incentivize building owners that implement energy-efficient technologies in commercial buildings. Additionally, government buildings can allocate the deduction to the designer of the energy efficient building systems installed. = \$1.80-\$5.00 per s/f

**OBBB
Change**

What Are The Building Systems?



Lighting



HVAC & Hot Water



Building Envelope

Who Can Claim The Section 179D Tax Deduction?

Newly Constructed Buildings or Buildings with Significant Improvements May Qualify. Acquired buildings with no additional improvements do not qualify.

Private Building Owners



2006 through current



Prior years claim on current return via Form 3115

Designers of Govt/Non-Profit Buildings = Architects & Engineers



3 Year Statute of Limitations



Amending Required for Designers



Non-Profits & Native/Tribal starting in 2023



Allocation Letter from Non-Tax Paying Entity



\$1.80 - \$5.00+ per Square Foot



Passive Activity

Passive Loss Limitations



Rules are designed to prevent taxpayers from engaging in abusive tax shelters



Passive loss can only offset income generated by the taxpayer's other passive activities

- Not ordinary income from salaries, wages, dividends, and interest



Can aggregate income and deductions from all passive activities to compute passive loss



Passive loss can be carried forward indefinitely (Suspended Loss)



Passive Activity



Individuals



Estates



Trusts (other than grantor trusts)



Owners of entities such as grantor trusts, partnerships, and S corporations even though the passive loss rules do not apply to the entity directly

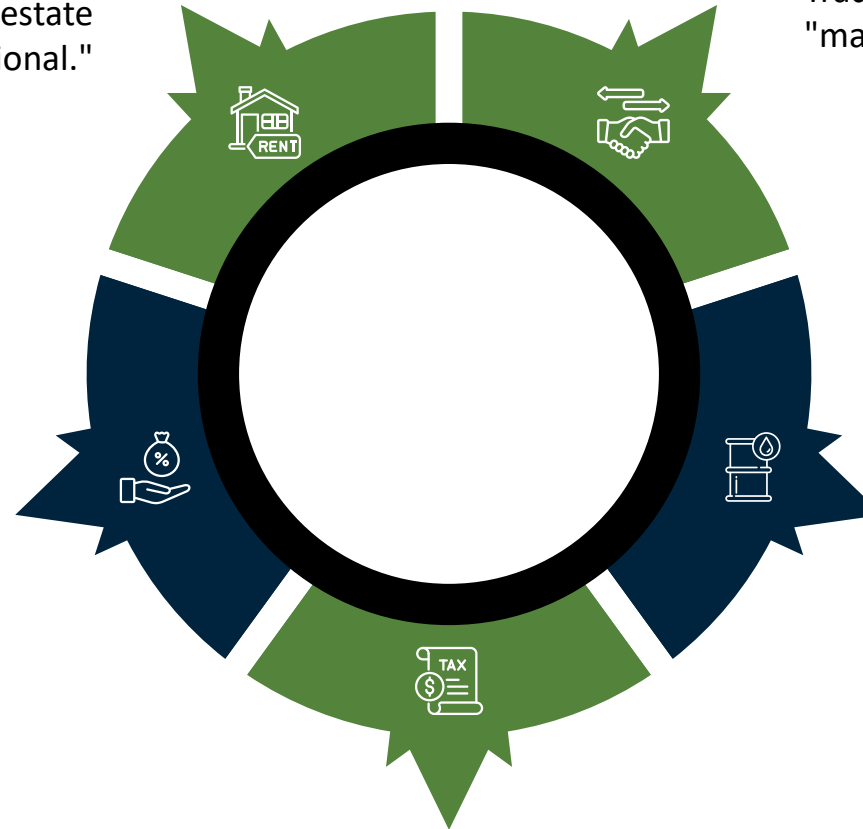


Closely held C corporations (if certain requirements are met)

Active Activities

Rental real estate activities in which the taxpayer materially participated as a "real estate professional."

Trade or business activities in which the taxpayer "materially participated" for the tax year.



An activity of trading personal property for the account of those who own interests in the activity.

A working interest in an oil or gas well which the taxpayer held directly or through an entity that does not limit the taxpayer's liability (such as a general partner interest in a partnership).

The rental of a dwelling unit that the taxpayer also used for personal purposes during the year for more than the greater of 14 days or 10 percent of the number of days during the year that the home was rented at a fair rental.

Active Activities Losses

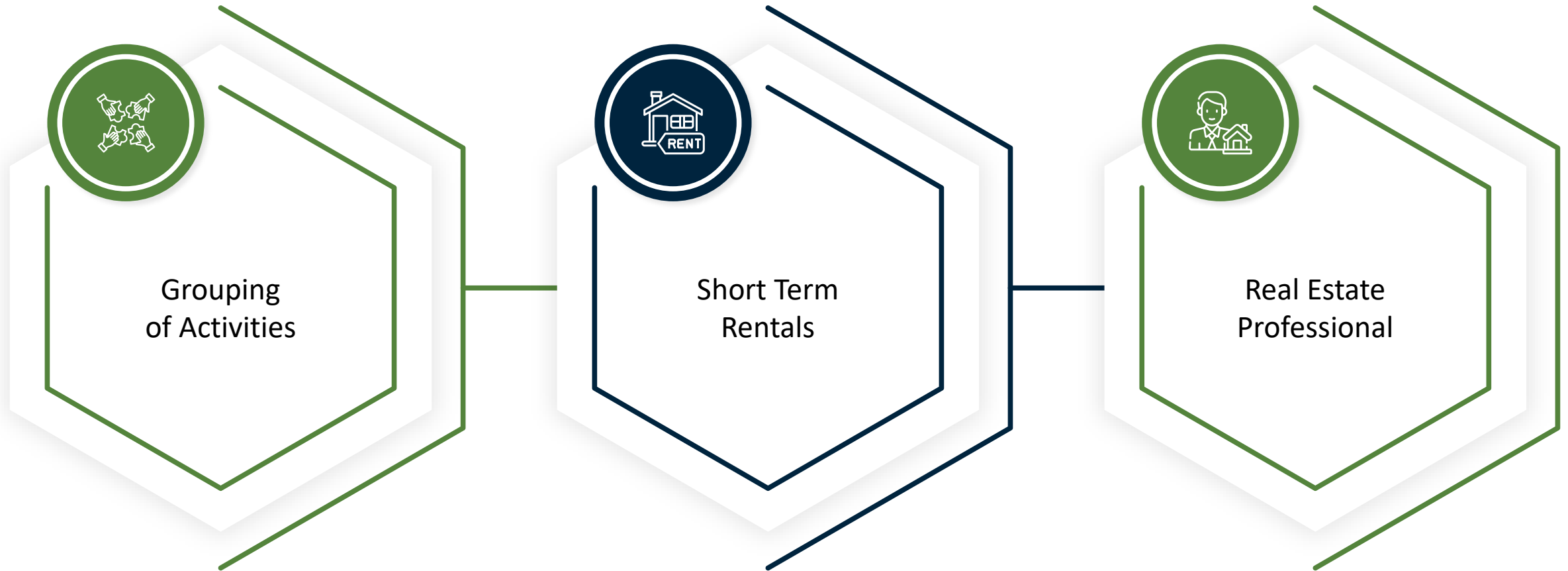


Not subject to the passive activity loss limitations



Can be used to offset other types of income, such as wages or investment income

Active Activities - Real Estate



Grouping of Activities for New Buildings: Reg 1.469



Income and losses from the building can only offset income and losses generated in the building entity.



Typically, income in building entity is rent.



Passive Income from building.



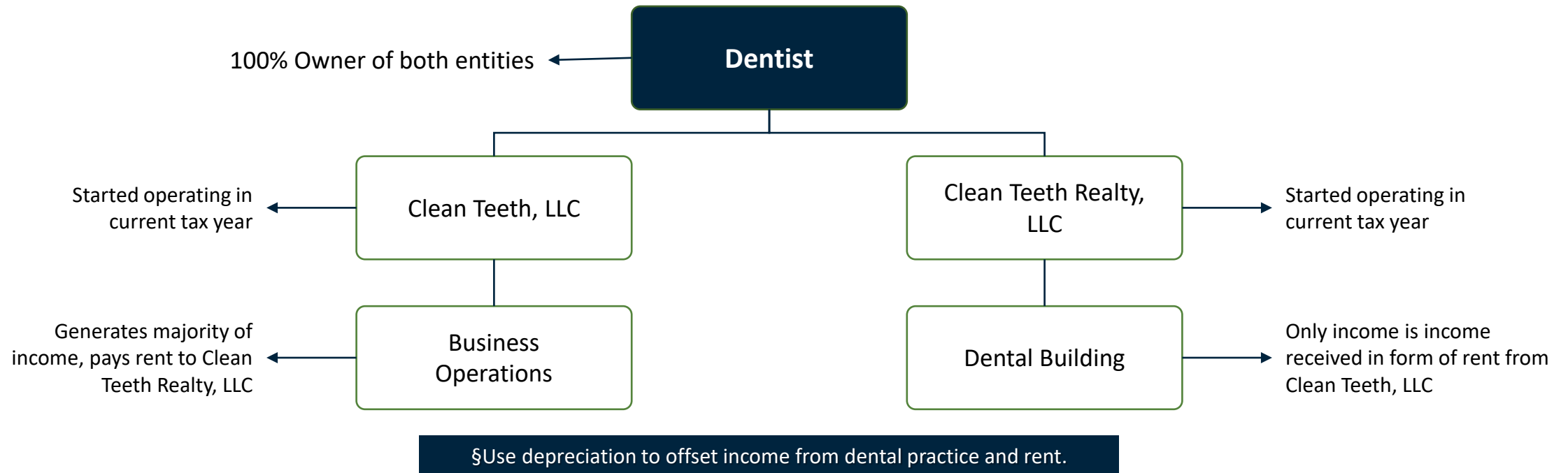
All other income is made in business entity.



If not grouped ... Cost Segregation is limited to offsetting rent due to passive income restrictions.



Must be grouped in 1st year or in year of a major change



Grouping of Activities for New Buildings: Reg 1.469



Restrictions on Grouping

- ▶ One Activity is insubstantial in relation to the other
- ▶ Rental Dependent on Trade or Business
- ▶ Gross Receipts of Trade vs. Rent >80/20
- ▶ Net Income of Trade vs. Rent >80/20

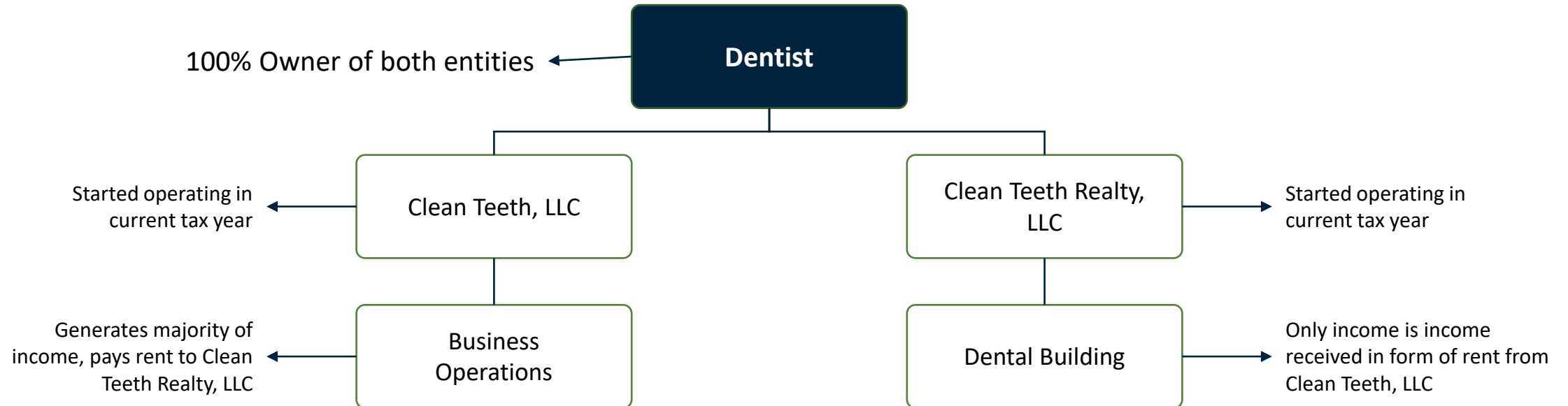


Five Additional Factors

- ▶ Similarities and Differences in types of Businesses
- ▶ Extent of Common Control
- ▶ Extent of Common Ownership
- ▶ Geographical Location
- ▶ Interdependencies between the Activities



Must Group in 1st Year Building is Placed in Service.



Tax Return

Personal Details

First name :

Last name :

Document No.1234-0 :

Nationality :

Phone Number :

Number-1

Number-2

Occupation

Spouse's Occupation

Grouping of Activities - Tax Return Application

Disclosing an initial grouping



A taxpayer (other than a partnership or S corporation) must include a statement with its original income tax return for the first tax year in which activities are grouped

Statement should include:



The names, addresses, and EIN, if applicable, for the trade or business activities/rental activities that are being grouped as a single activity; and



Contain a declaration that the grouped activities constitute an appropriate economic unit

Grouping of Activities - Tax Return Application

Failure to comply with disclosure requirements



Each trade or business activity or rental activity will be treated as a separate activity in applying the passive activity loss and credit limitation rules



Important to make grouping election on first year building goes into service



Grouping of Activities - Tax Return Application

Sample Statement

Statement Required under Rev. Proc. 2010-13 for New Groupings—to be filed with taxpayer's original tax return

Attachment to Form [Form no.]

Taxpayer's name:

.....

Taxpayer ID or Social Security number:

.....

For tax year [year] the following [trade or business activities or rental] activities have been grouped as a single activity and are being reporting in accordance with Rev. Proc. 2010-13. These grouped activities constitute an appropriate economic unit for the measurement of gain or loss for purposes of section 469. Activities being grouped are:

Trade or Business Activity 1: [name]

Address:

.....

Employer identification number:

.....

Real Estate Activity 2: [name]

Address:

.....

Employer identification number:

.....

[signature of taxpayer]

[date]

A blurred background image of a business meeting with several people in professional attire. Overlaid on the image are green hexagonal patterns in the top right and bottom left corners. The text "Polling Question # 2" is centered in a bold white font.

Polling Question # 2





Short-term Rentals

Short-Term Rentals-The 2 Factors

1.

Average Stay of the Tenant

2.

Did the Taxpayer Provide Material Participation

Short Term Rental - Avg. Stay of Tenant



Activities where the average period of customer use of the rental property is seven days or less are not rental activities (§1.469-1T(e)(3)(ii))



The incidental rental of a home or vacation property for seven days or less is not considered a rental activity

Short Term Rental - Avg. Stay of Tenant

Average period of customer use



Divide the total number of days in all rental periods by the number of rentals during the tax year.



(Total # days in all rental periods / # of rentals during the year)



If average is 7 days or less it is not rental activity



Result – active activity if there is material participation



Material Participation for STR

7 Test – Only need to meet 1 to qualify

- » The individual participates in the activity for more than 500 hours during the tax year.
- » The individual's participation in the activity for the tax year constitutes substantially all of the participation in the activity by all individuals (including individuals who do not own interests in the activity) for the tax year.
- » The individual participates in the activity for more than 100 hours during the tax year, and his or her participation in the activity for the tax year is not less than any other individual's participation in the activity for the tax year (including individuals who do not own interests in the activity).
- » The activity is a significant participation activity for the tax year, and the individual participated in all significant participation activities for more than 500 hours during the tax year.
- » The individual materially participated in the activity (without regard to this particular test) for any five tax years (consecutive or nonconsecutive) during the 10 immediately preceding tax years.
- » The activity is a personal service activity, and the individual materially participated in the activity for any three preceding tax years.
- » Based on all of the facts and circumstances, the individual participates in the activity on a regular, continuous, and substantial basis during the tax year. To satisfy this rule, the individual must participate in the activity for more than 100 hours. Management services performed by the individual are not taken into account, unless no other person is compensated for management services and no other individual performs management services exceeding the hourly total of such services performed by the individual.

Real Estate Professional

Must meet the following tests



Real estate ownership



Personal services test



Hours test



Material participation test

If met, activity in real estate is not passive



Real Estate Professional



Real Estate Ownership

- Does taxpayer own the rental real estate?
- Rental real estate is any real property used by customers or held for use by customers in a rental activity



Personal Services Test

- More than one-half of the personal services performed in the year are in real property trades or businesses



Hours Test

- Performs more than 750 hours of services during the tax year in real property trades or businesses



Material Participation

- Must materially participate in these real property trades or businesses

Real Estate Professional



Includes any of the following:



Operation

Day-to-day operations relating to the maintenance and occupancy of the real property



Management

Professional manager's handling of day-to-day business operations, relating to maintenance and occupancy that affect the availability and functionality of real property used, or held out for use, by customers



Development

Maintenance and improvement of raw land to make the land suitable for subdivision, further development, or construction of residential or commercial buildings



Redevelopment

Demolition, deconstruction, separation, and removal of existing buildings, landscaping, and infrastructure

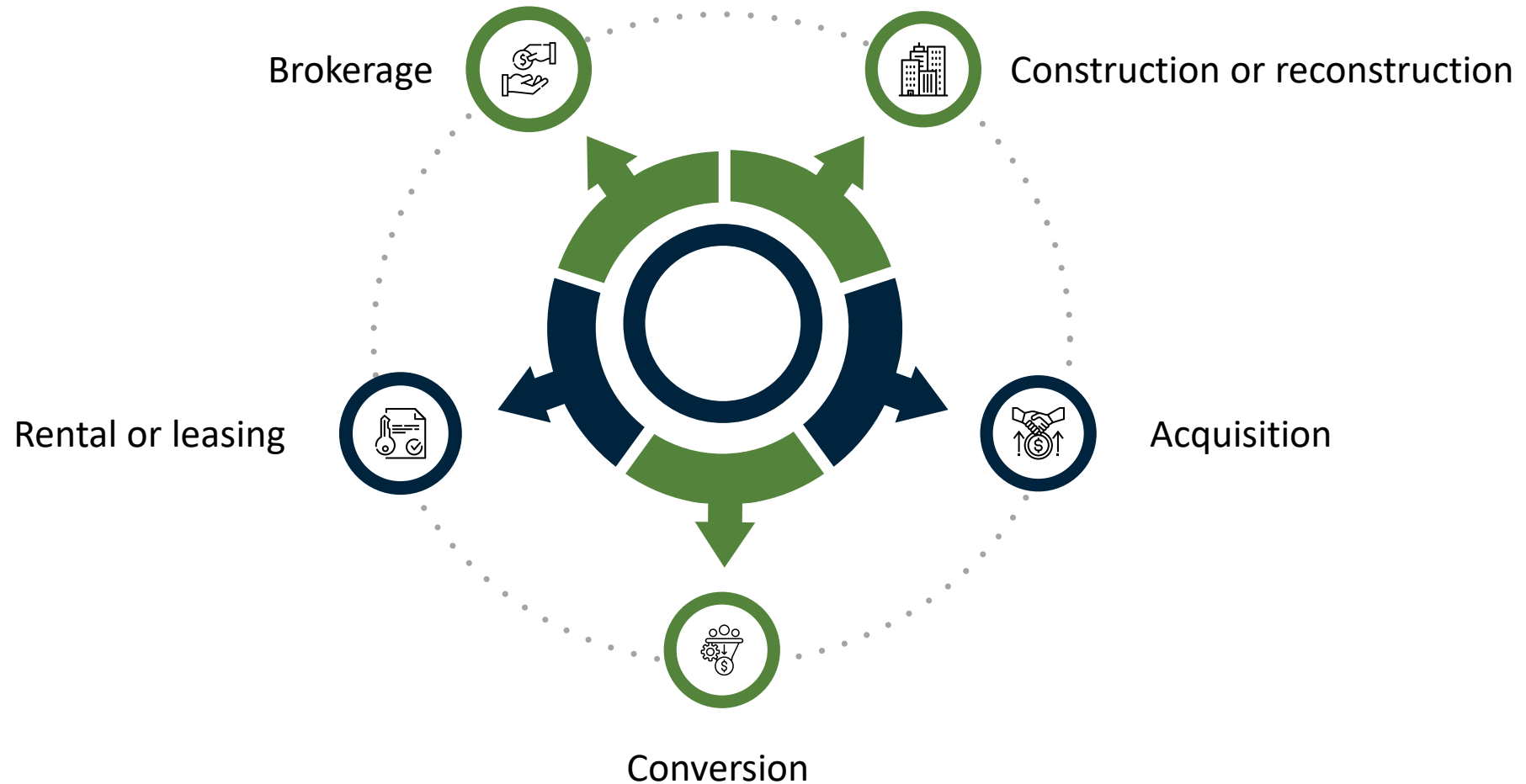
A blurred background image of a business meeting with several people in professional attire. Overlaid on the image are green hexagonal patterns in the top right and bottom left corners. The text 'Polling Question # 3' is centered in a bold white font.

Polling Question # 3



Real Property Trades And Businesses

Includes any of the following (continued):



Real Property Trades And Businesses

What is real property?



Land, buildings, and other inherently permanent structures that are permanently affixed to land



Tenant improvements if inherently permanent



Married Taxpayers - Real Estate Professional

Real estate professional requirements are satisfied only if either spouse separately satisfies them if joint tax return is filed

One spouse must separately satisfy personal service/750 hours test

Material participation test

Work performed by a taxpayer's spouse is attributed to the taxpayer, regardless of whether the spouses file a joint return



Employees - Real Estate Professional

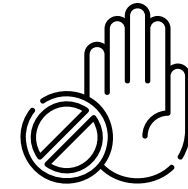


Personal services performed as an employee are treated as performed in real property trades or businesses only if the employee is a five-percent owner in the employer



If corporation

- more than five percent of the corporation's outstanding stock; or
- stock possessing more than five percent of the total combined voting power of all of the corporation's stock



If not a corporation

- the employee must own more than five percent of the capital or profits interest in the employer

What Is Section 179 Expensing?



Section 179 Expensing

- ▶ Allows businesses to deduct the full purchase price of Qualifying Equipment and/or Software purchased or financed.
- ▶ Also applies to 5 and 7-year Interior Personal Property in Buildings.
- ▶ Property contained in or attached to a Building.
- ▶ Non-structural Building Components.
- ▶ New Equipment or Used Equipment that is “New to Owner”.
- ▶ Purchase after Building is in use.
- ▶ Must be an Active Trade or Business. Not for Leased Property.
- ▶ Non-Residential for Qualifying Real Property.
- ▶ Limit is \$2,560,000 and begins phase out after at \$4,090,000 (2026)





TCJA Expanded Section 179 Expensing Of Qualified Real Property



Effective 1/1/2018, Improvements to the following non-residential building systems are eligible provided the Improvement was performed after placed in service.

- ▶ Qualified Improvement Property (QIP)(Interior)
- ▶ Roofs
- ▶ HVAC
- ▶ Fire Protection and Alarm Systems
- ▶ Security Systems



Assets may be New or Used

§179 Limit is \$2,560,000 and begins to phase out at \$4,090,000 (2026)

Section 179

Expense Qualifying Property

Personal Property



1245 Property – defined in Code Sec. 1245(a)(3)



Acquired from unrelated party



Used in active conduct of a trade or business – Code Sec. 179(d)(1)

- ▶ No personal use property
- ▶ No residential rental property
- ▶ No property held for production of income – lease property
- ▶ Prevents use by passive investor in trade or business



Effects Of Applying Section 179 Expense



Depreciable basis reduced by amount expensed



Subject to recapture at time of sale



Limited to income within trade or business



Unused amount can be carried forward



Bonus Depreciation vs. Section 179

When to Use Each



Bonus

- ▶ 80% 1st Year in 2023
- ▶ 60%-2024
- ▶ Bonus Rate determined by year in service 2018-2022 – 100%
- ▶ 40% January 1 – January 19, 2025
- ▶ 100% after Jan 19, 2025



Section 179

- ▶ 100 %
- ▶ Cannot cause a loss.
- ▶ Section 179 capped at \$2,560,000 w/ phase out above \$4,090,000 (2026)



A blurred background image of a business meeting with several people in professional attire. Overlaid on the image are green hexagonal patterns in the top right and bottom left corners. The text "Polling Question # 4" is centered in white, with a horizontal line and a small hexagon below it.

Polling Question # 4



Questions

Contact the CSSI Representative that invited you for a copy of the presentation, link to the recording, or invitation to our next CPE events each month.



Thanks to the CSSI Representatives that invited you to this Invitation Only Event.



Don't forget to take the survey. If it does not pop up, check behind multiple screens...or Contact Beth.Dale@cssiservices.com

Beth.Dale@CSSIServices.com



2026 CPE for CPAs Schedule

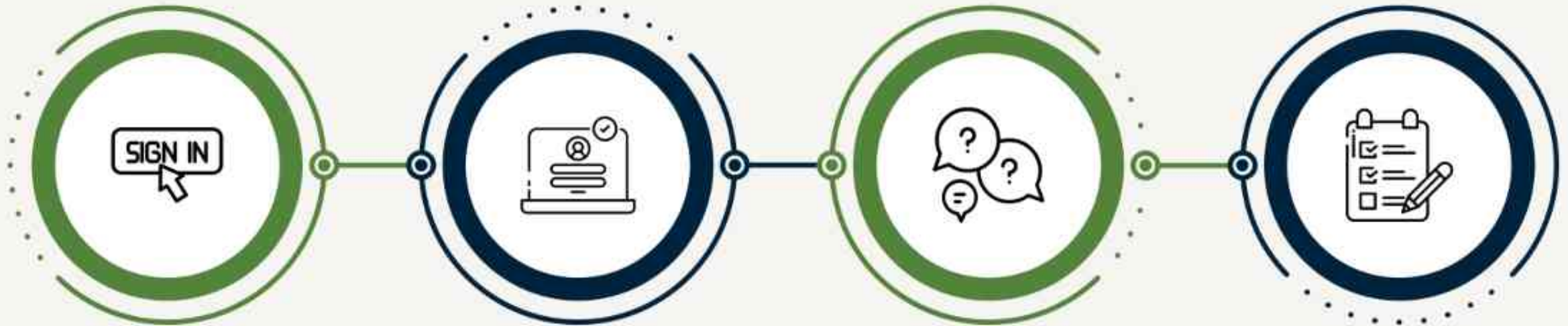
Please reach out to your
CSSI contact or
beth.dale@
cssiservices.com for
addiitonal information.

Feb 11th - Wed	11:30am Central	Registration Link	R&D and the OBBBA: Important Updates for 2026 and New Filing Requirements
Mar 18th - Wed	12:00pm Central	Registration Link	What to Know About Section 179D and How to Retroactively Capture Deductions Via 3115
Apr 29th - Wed	11:30am Central	Registration Link	Repair Regulations: How to Expense Repairs and Maximize Deductions
May 13th - Thu	12:00pm Central	Registration Link	Active or Passive? Tax Strategies for Active & Passive Real Estate Investors
Jun 9th - Tue	1:00pm Central	Registration Link	Calculating the R&D Tax Credit: Understanding How the Credit is Calculated and Claimed on the Form 6765
Jul 22nd - Wed	1:00pm Central	Registration Link	Tangible Property Regulations: How to Identify Opportunities for Major Deductions
Aug 12th - Wed	11:30am Central	Registration Link	R&D Tax Credits: Differences Between Filing Timely and Amending for Prior Years
Sept 23rd - Wed	12:00pm Central	Registration Link	Active or Passive? Tax Strategies for Active & Passive Real Estate Investors
Oct 28th - Wed	1:00pm Central	Registration Link	Beyond Cost Segregation: A Deep Dive Into Accelerating Depreciation and Expensing Strategies
Nov 19th - Thu	12:00pm Central	Registration Link	Who Qualifies for R&D Tax Credits? How to Identify Clients Qualify for the R&D Tax Credit
Dec 15th - Tue	1:00pm Central	Registration Link	Form 3115: Capture Accelerated Depreciation Retroactively

If You Need A Depreciation Strategy - Contact The CSSI Rep That Invited You



CPA's 1.0 hrs Credit Certificate Requirements



Must have signed in with the link provided upon registration.

Must remain logged in and engaged for the duration of the presentation.

Must answer all 4 pop-up questions during the course.

Please complete the pop-up survey that appears when you exit the course.

If any one of these requirements is not met, a certificate cannot be issued, per NASBA standards.

Questions sent to Beth.Dale@CSSIServices.com

Certificates issued by CSSI within 2-3 Weeks for CPAs Exclusively. Questions? Beth.Dale@CSSIServices.com