

REAL ESTATE



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Q I sold several real estate investments this year. Will the IRS treat me as a “dealer”?

A Unfortunately, the answer is not entirely clear. Therefore we must rely on court established factors such as, why the property was acquired, the extent of improvements and advertising to increase sales, and duration of ownership. The most important factors are the number, frequency, and substantiality of sales. Frequent buying and selling of real estate indicates a trade or business of real estate sales, which results in ordinary income treatment. However, individuals who demonstrate real estate activities are insubstantial to their normal occupation may preserve capital gain. One relief provision applies to subdividing a single tract of land; promotion and sales of lots from a single tract will not be treated as a trade or business. A qualified RINA tax adviser may be able to help you structure your transaction to ensure the most favorable tax status.