11 TAX STRATEGIES

FOR REAL ESTATE AGENTS

Are you maximizing your tax deductions?
As a real estate agent, you have unique opportunities to potentially reduce your tax liability. Check out these 11 strategies to help keep more of what you earn.

1. Vehicle Deductions

Real estate agents spend a lot of time on the road. You can deduct either the actual expenses (fuel, repairs, insurance) or use the IRS standard mileage rate to claim vehicle expenses. Be sure to track your business miles carefully. Consider using a mileage app to help you get the most out of this deduction.

2. Home Office Deduction

If you use part of your home exclusively for business, you may be eligible to deduct a portion of your rent or mortgage, utilities, and other related expenses. The space doesn't have to be large, but it does need to be used regularly and solely for business purposes.

3. Health Insurance Deduction

If you're self-employed, you can deduct health insurance premiums for yourself, your spouse, and your dependents. This can significantly lower your taxable income, especially if you're not covered by a spouse's plan.

4. Marketing and Advertising Expenses

All those flyers, social media ads, and open house signs can be deductible business expenses. The expenses must be a necessary & ordinary cost related to promoting your real estate business. Keep receipts and track these expenses throughout the year.

5. Commission and Referral Fees

If you pay commission or referral fees to other agents, they're deductible. Be sure to keep detailed records of all payments made and received, and always issue 1099s to independent contractors.

6. Set Aside Income for Taxes & Pay Quarterly Estimates

As a 1099 worker, it's crucial to set aside a portion of your income for taxes, since they will not be withheld for you like a W2 employee. Real estate agents are responsible for paying self-employment, federal, state, and local taxes, so it's important to make quarterly estimated tax payments to avoid a large bill (and potential penalties) at year-end. Regularly review your income and tax estimates with your tax professional to stay on track.

7. Retirement Contributions (SEP IRA or Solo 401(k))

Real estate agents can reduce taxable income by contributing to tax-advantaged retirement accounts like a SEP IRA or Solo 401(k). These plans can allow for large contributions, especially beneficial if you're earning a significant commission. Keep in mind, funds withdrawn from these accounts will be taxed as ordinary income and, if withdrawn prior to age 59 ½, may be subject to tax penalty.

8. Business Entity Election & S-Corp Consideration

As your revenue grows, consider forming an S-Corp to take advantage of tax savings. With an S-Corp, you must pay yourself a reasonable salary while distributing the remaining profits as dividends, which are not subject to self-employment tax. You can also work with your tax advisor to help maximize the 20% Qualified Business Income (QBI) deduction by strategically positioning your salary and business profits. Keep in mind that filing as an S-corp. requires additional costs such as tax filing and payroll expenses.

9. Real Estate Professional Status (REPS)

Real estate professionals can leverage their status to maximize tax deductions on rental properties. If you qualify as a real estate professional, you can deduct real estate losses against your other active income, to help reduce your taxable income. This can be a powerful strategy for agents who invest in rental properties, as it allows for more aggressive tax planning. It is extremely important you work with an accountant to ensure you qualify for REPS status and are calculating deductions accurately.

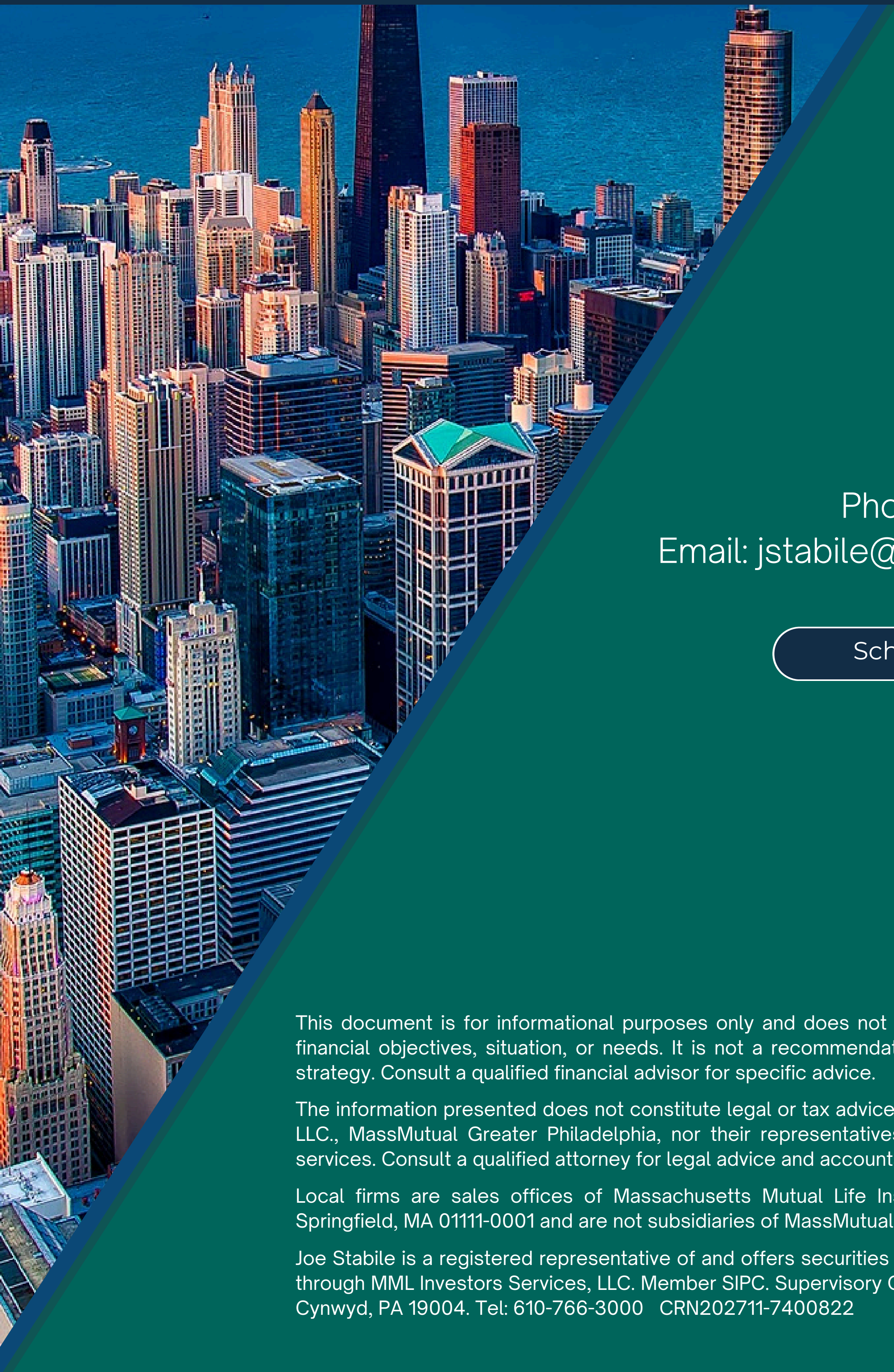
10. Continuing Education and Licensing Fees

Staying updated with the latest real estate regulations and maintaining your license are part of the job. Any fees you pay for professional development, certifications, or license renewals are deductible as business expenses.

11. Depreciation on Investment Properties

If you own rental or investment properties, consider taking advantage of depreciation. The IRS allows you to depreciate the cost of a property (excluding land value) over time, which can provide significant tax savings. Be sure to work with a tax professional to ensure you are applying this deduction appropriately.

ARE YOU USING THESE **STRATEGIES TO THE FULLEST?**



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Schedule a meeting