**Rental Activity Material Participation Test**

Claiming rental losses can be very beneficial as it will decrease your Adjusted Gross Income (AGI), thereby decreasing your taxes. However rental losses are considered PASSIVE LOSSES, and do not decrease your AGI unless you qualify for claiming ‘Material Participation’ in the Rental Property’s activity,

There are several requirements for material participation, and satisfaction of any one test will allow you to be considered materially participating:

* **You participated in the activity for more than 500 hours.**
* **Your participation was substantially all the participation in the activity of all individuals for the tax year, including the participation of individuals who did not own any interest in the activity.**
* **You participated in the activity for more than 100 hours during the tax year, and you participated at least as much as any other individual (including individuals who did not own any interest in the activity) for the year.**
* **The activity is a significant participation activity (SPA), and you participated in all significant participation activities for more than 500 hours. A significant participation activity is any trade or business activity in which you participated for more than 100 hours during the year and in which you did not materially participate under any of the material participation tests, other than this test.**
* **You materially participated in the activity for any 5 (whether or not consecutive) of the 10 immediately preceding tax years.**
* **The activity is a personal service activity in which you materially participated for any 3 (whether or not consecutive) preceding tax years. An activity is a personal service activity if it involves the performance of personal services in the fields of health (including veterinary services), law, engineering, architecture, accounting, actuarial science, performing arts, consulting, or any other trade or business in which capital is not a material income-producing factor.**
* **Based on all the facts and circumstances, you participated in the activity on a regular, continuous, and substantial basis during the year.**

Publication for Reference:

<https://wcginc.com/kb/what-are-the-general-tests-for-material-participation/>

**Material Participation Examples & Guidelines**

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| **Thresholds** |  |
| Material participation hours threshold: | 500 hours - rental |
| Real estate professional hours threshold: | 750 hours and > 50% of total hours - real property trade or business |

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| **Examples of qualifying services performed** | **Examples of support for qualifying services performed** |
| Participated in the process of negotiating lease terms with prospective tenant(s) | Contemporaneously maintained Outlook or other calendar; LOI for lease, copies of executed leases |
| Review proposals and contracts for building services | Contemporaneously maintained Outlook or other calendar; proposals and contracts; email and other communications regarding the same |
| Negotiated terms related to obtaining financing for retail real estate project | Contemporaneously maintained Outlook or other calendar; lease term sheets, copies of executed loan documents |
| Analyzed and prepared financial data related to rental real estate acquisitions and dispositions | Contemporaneously maintained Outlook or other calendar; due diligence materials, purchase and sale agreements, business models, business plans |

**Rental Real Estate Activity Tracker**

Year \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Month \_\_\_\_\_\_\_\_\_\_\_\_\_\_

Rental Property Address \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

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|  | **Specify Number of Hours on each day** | | | | | | | | | | | | | | | | | | | | | | | | | | | | | | |
| **Activity Description** | **1** | **2** | **3** | **4** | **5** | **6** | **7** | **8** | **9** | **10** | **11** | **12** | **13** | **14** | **15** | **16** | **17** | **18** | **19** | **20** | **21** | **22** | **23** | **24** | **25** | **26** | **27** | **28** | **29** | **30** | **31** |
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