



Material Participation When Using a Property Manager

A common myth among real estate investors is that hiring a property manager automatically disqualifies you from material participation. It sounds logical — PMs log a lot of hours — but the tax code doesn't measure hours by companies, it measures them by **individual humans**. As long as you personally hit 100 hours and no single person logs more hours than you (using the most common test), material participation is still very much in play. With the right strategy, records, and expectations, working with a property manager and materially participating are not mutually exclusive.

Key Rules

Hours Are Measured Human By Human

Material participation looks at individuals, not entities, so a property manager's collective hours don't automatically beat you. But you need the PM to track time on a per-individual basis.

One Hundred Hours Is The Real Hurdle

Most owners struggle more with building their own 100 legitimate hours than with outpacing a PM's staff. 2 hours each week, every week.

Travel Time Must Be Anchored To Real Work

Driving or flying counts only when it results in actual operational activity — not drive-bys or “everything looks fine” check-ins.

Top FAQs

Doesn't a property manager's team automatically log more hours than me?

No. The IRS attributes hours to individuals, not companies. Five people logging 50 hours each doesn't beat you unless one person individually exceeds your time.

How can I realistically reach 100 hours with a property manager in place?

Through approvals, pricing decisions, reviewing reports, evaluating repairs, DIY maintenance, strategic oversight, and properly anchored travel. Two hours a week adds up — but it takes intention. WCG has a list of tasks that count towards participation.

What's the biggest mistake owners make with PM time tracking?

Waiting until year-end. If you discover in January that one cleaner logged more hours than you, it's too late to fix. Monthly or quarterly time logs are essential.

Material participation with a property manager is not only possible — it's common among organized owners. Hit your hours track everyone's time by individual, and document as you go, and the test becomes manageable even with full-service management.



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