



# Real Estate Professional Status (REPS)

Real Estate Professional Status (REPS) is an IRS designation that allows qualifying individuals to treat their rental activities as nonpassive, unlocking the ability to deduct rental losses against W-2 wages, business income, and other earnings. To qualify, you must spend 750+ hours in real property trades or businesses and more than 50% of your total working time in those activities. You must also materially participate in your rental activities for the losses to be deductible.

## Key Rules

### ***Two Thresholds Must Be Cleared***

To qualify for REPS, you must spend at least 750 hours in real property trades or businesses and more than 50% of your total working time in those activities.

### ***REPS Isn't Enough By Itself***

Qualification is just step one. Even after qualifying as a Real Estate Professional, you must still materially participate in your rentals (either individually or by grouping them) to turn the losses nonpassive.

### ***Only Real Work Counts. Investor-Level Activities***

#### ***Do Not Count***

Reviewing financial statements or browsing Zillow does not qualify. Only documented, operational work (management, construction, leasing, operations) counts toward the 750-hour and material participation tests.

## Top FAQs

### ***Does having a full-time W-2 job make REPS impossible?***

Not impossible, but statistically very difficult. Because you must spend more than 51% of your total working time in real estate, a 2,000-hour W-2 job would require you to work an *additional* 2,001 hours in real estate to qualify. There is some wiggle room for owners of real estate related businesses.

### ***Do my spouse's hours count toward REPS?***

Either spouse must meet the 750-hour and 50% tests individually. But once REPS is met, both spouses' hours combine for material participation across the rental activities.

### ***Do REPS hours have to come only from rental properties?***

No. REPS hours can come from any "real property trade or business" you materially participate in—such as development, construction, brokerage, flipping, or property management. Many investors qualify by combining rental hours with a related business (e.g., a fix-and-flip entity or being a real estate agent).

While challenging to achieve, REPS remains one of the most powerful tax tools available to rental property owners, especially long-term property owners, and can apply across a wide range of situations (and possibly grouped real-estate syndications).



Rental Expert Pod: Jason, Sara, Stuart, Brett and Ashita