

## Rental Losses or Passive Activity Losses

**Rental Losses** are those from rental property and are *passive activity losses* with special rules on how much can be deducted each year. The amount allowed each year depends on your *adjusted gross income* ("AGI"). If your AGI is below \$ 150,000 you can deduct up to \$ 25,000 per year of rental losses and the balance is carried over indefinitely to the following years. These can be used to offset other passive activity income. But keep in mind the passive activity loss on a specific rental property can be deducted in the year you sell or dispose of the property in a taxable transaction, even if you sell the property at a loss. In the year you sell the property the losses are considered *ordinary losses*, the best kind! So if you think you have prior year losses call us and we'll help determine what your carryover is and help plan the best way to use it.