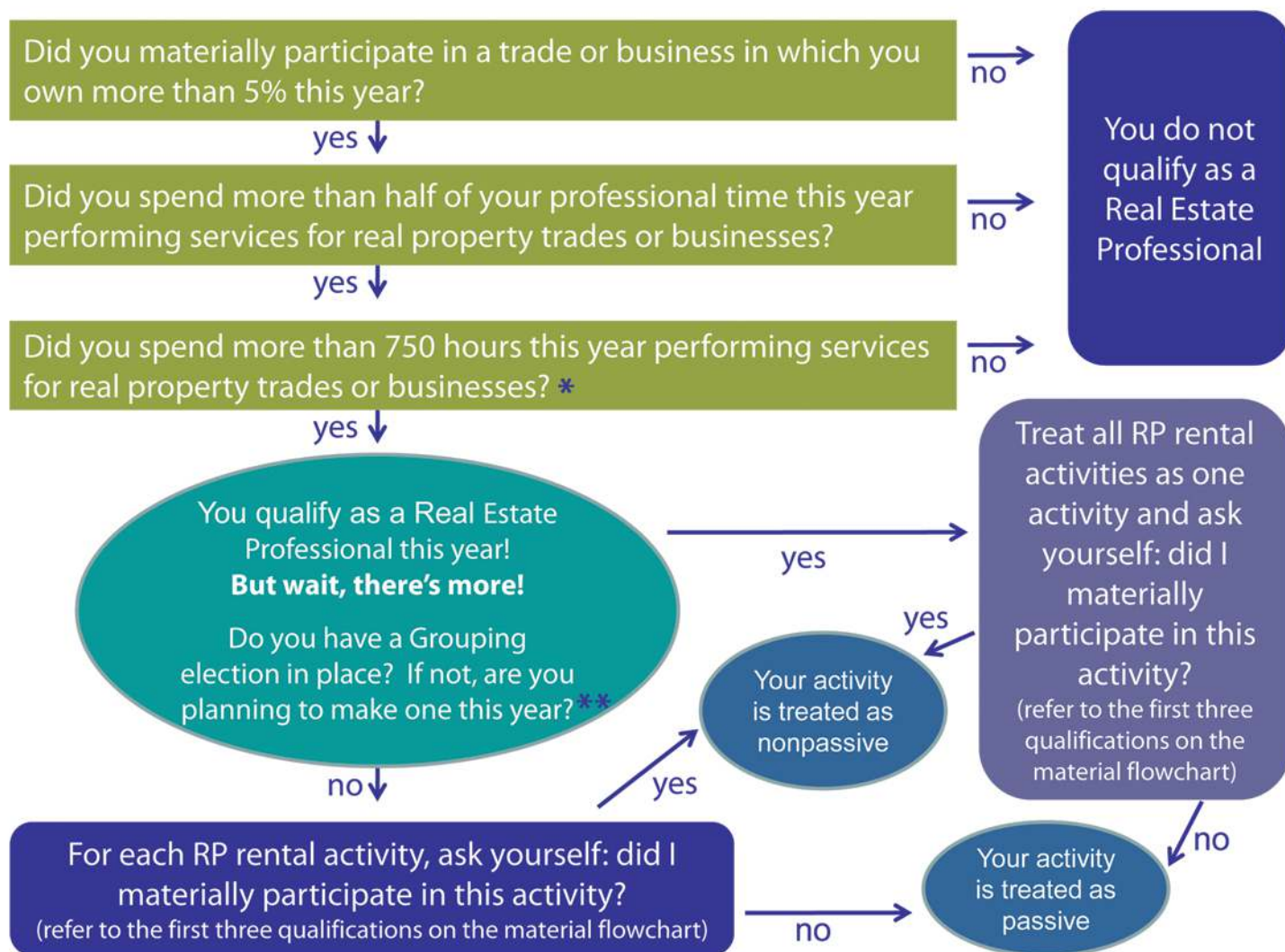


Did you qualify as a Real Estate Professional this year?

If you qualify as a Real Estate Professional, you may be able to classify a real property (RP) rental activity* as a nonpassive activity and thus use any losses from that activity to offset other sources of taxable income.

If you qualify as a Real Estate Professional you may elect to treat all your RP rental activities as a single activity for purposes of determining how to treat losses related to your RP rental activities. This is called a Grouping election.**

Unless you qualify as a Real Estate Professional, RP rentals are otherwise treated as passive activities and passive losses can generally only offset passive income (which, strange though it may seem, does not include income from an investment portfolio). As with all tax things, there are exceptions to these guidelines: please consult a tax advisor about your individual circumstances to determine the correct tax treatment.



*It's a real property trade or business if the primary activity is one or more of these: developing, redeveloping, constructing, reconstructing, acquiring, converting, renting, operating, managing, leasing or brokering real property "Real property" is a technical term that more or less means the same thing as the everyday usage of "real estate."

**A Grouping election is an irrevocable written statement attached to your tax return indicating you are going to treat all of your real property rentals as a single activity.

This is a summary and is not intended as tax or legal advice. You should consult with your tax advisor to obtain specific advice with respect to your fact pattern. Based on the most recent "best practice" standards for tax advisors issued by the Treasury Department, commonly referred to as Circular 230, we wish to advise you that this bulletin has not been prepared to be used, and cannot be used, to provide assurance that penalties which may be assessed by the IRS or other taxing authority (including specifically section 6662 understatement penalties) will not be upheld.