

Depreciation-Based Tax Shelter

	<i>Depreciation deduction</i>	<i>Rental income</i>	<i>Operating profit (loss)</i>
2017	\$20,000	\$ 5,000	(\$15,000)
2018	\$26,667	\$19,000	(\$ 7,667)
2019	\$ 8,889	\$19,000	\$10,111
2020	\$ 4,444	\$19,000	\$14,556
2011	-0-	\$19,000	\$19,000
2022	-0-	\$14,000	\$14,000
<i>Total</i>	<i>\$60,000</i>	<i>\$95,000</i>	<i>\$35,000</i>

“Passive activity”

- Trade or business in which taxpayer does not materially participate
 - Example: limited partner
- Any rental activity
 - Exception: “Mom and Pop” rental house
 - Exception: Real estate professionals