

How High Net Worth Investors Use Tax Loopholes to Build Wealth with Real Estate



Hi everyone — Brian Spear here with Sunrise Capital Investors.

Today I want to break down one of the most overlooked — but absolutely critical — aspects of real estate investing: **how to use the tax code to your advantage.**

We're going to cover:

- Why not all real estate is taxed the same way
- How bonus depreciation actually works
- **A real-world example showing how our investors have offset 100% (or more) of their investment in year one**
- Why **certain types of real estate dramatically outperform others** when it comes to tax efficiency

Let's get into it.



Brian Spear
Principal, Cofounder, CEO



Not All Real Estate is Taxed Equally

(the Mobile Home Park Edge)

Most investors are familiar with depreciation — the ability to write off the cost of an investment property over time.

But what many don't realize is this:

The tax benefits vary widely depending on the asset type.

For example, traditional multifamily or single-family rentals are depreciated over 27.5 years. That's fine — but it's slow.

Now compare that with **certain property types, like mobile home parks**, where the majority of the acquisition cost is tied to **15-year improvements** — things like roads, utility lines, and underground infrastructure. That's where things start to get really interesting.

Thanks to the **Tax Cuts and Jobs Act of 2017**, any component with a useful life of **20 years or less** qualifies for accelerated **bonus depreciation** — which means you can deduct up to **100% of that value in year one**.



How Bonus Depreciation Works

Let's walk through a real-world example.

Imagine you invest **\$100,000** into a mobile home park deal valued at **\$12 million**. In this type of asset, it's common for **65–75% of the total value** to be tied to shorter-lived improvements — things like roads, utility systems, and site infrastructure.

That means roughly **\$8 to \$9 million** of that total acquisition could qualify for **bonus depreciation**.

Now here's where it gets compelling.

With that structure, a **\$100,000 investment** could generate **\$100,000 or even more in first-year passive paper losses** on your K-1, which may be used to **offset your passive investment income from this and other investments as well as from passive business ownership income**.

To repeat, and depending on your tax status, those losses could be used to offset:

- ▶ Passive income from fund and syndication investments
- ▶ Income from passive business ownership
- ▶ Real estate rental income
- ▶ Capital gains from stock or business sales
- ▶ Even active income in the case of real estate professionals



The Tax Strategy for High-Income W-2 Earners

For high-income professionals, such as doctors, lawyers, and tech executives, the tax code can feel punishing. Because your income is earned via a W-2, you do not have access to the same deductions as business owners.

By default, the IRS considers real estate investments to be "passive." This means the massive paper losses generated by bonus depreciation can typically only be used to offset other passive income. They cannot be used to offset your active W-2 salary.

However, there is a powerful exception

If you or your spouse qualify as a **Real Estate Professional** under IRS rules, your real estate investments are no longer considered passive. This changes everything.

How the "Spousal REPS" Loophole Works

In many high-earning households, one spouse works a demanding, high-paying W-2 job, while the other spouse manages the family's real estate portfolio or works part-time.

If the spouse managing the real estate can meet the IRS requirements for REPS (spending more than 750 hours a year in real estate trades or businesses, and more than half their total working hours), the massive depreciation losses generated by a fund like Sunrise Capital Investors can be used to offset the *other* spouse's W-2 income

The Result?

A \$100,000 investment that generates \$100,000 in first-year depreciation could directly reduce a \$600,000 W-2 salary down to \$500,000 for tax purposes, resulting in tens of thousands of dollars in immediate, real-world tax savings.





Why This Matters for Long-Term Wealth

Our investors join us not just for long-term passive income they receive but because **the tax savings alone** often produce **hundreds of thousands of dollars in real-world tax reductions**.

Now, to be clear: you should never invest just for the write-offs. And we don't. But if you're serious about building wealth that lasts — and keeping more of what you earn — this strategy gives you a massive head start.

Where This Applies

So, where do you find these kinds of tax benefits?

It's not luxury apartments or trophy buildings. These kinds of advantages show up in **niche, infrastructure-heavy real estate** — like **mobile home communities**.

These assets offer a rare blend of cash flow, recession resistance, and tax efficiency — which is exactly why we've made them a core part of our strategy at Sunrise.

But even if you never invest with us, remember this:

Tax strategy isn't the cherry on top — it's the engine that drives real wealth.

When you combine the right asset with the right structure, you're not just investing for returns. **You're stacking the deck in your favor.**

That's what we're focused on every day — helping our partners build perpetual, tax-efficient passive income.



Interested in Investing with Sunrise Capital Investors?

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