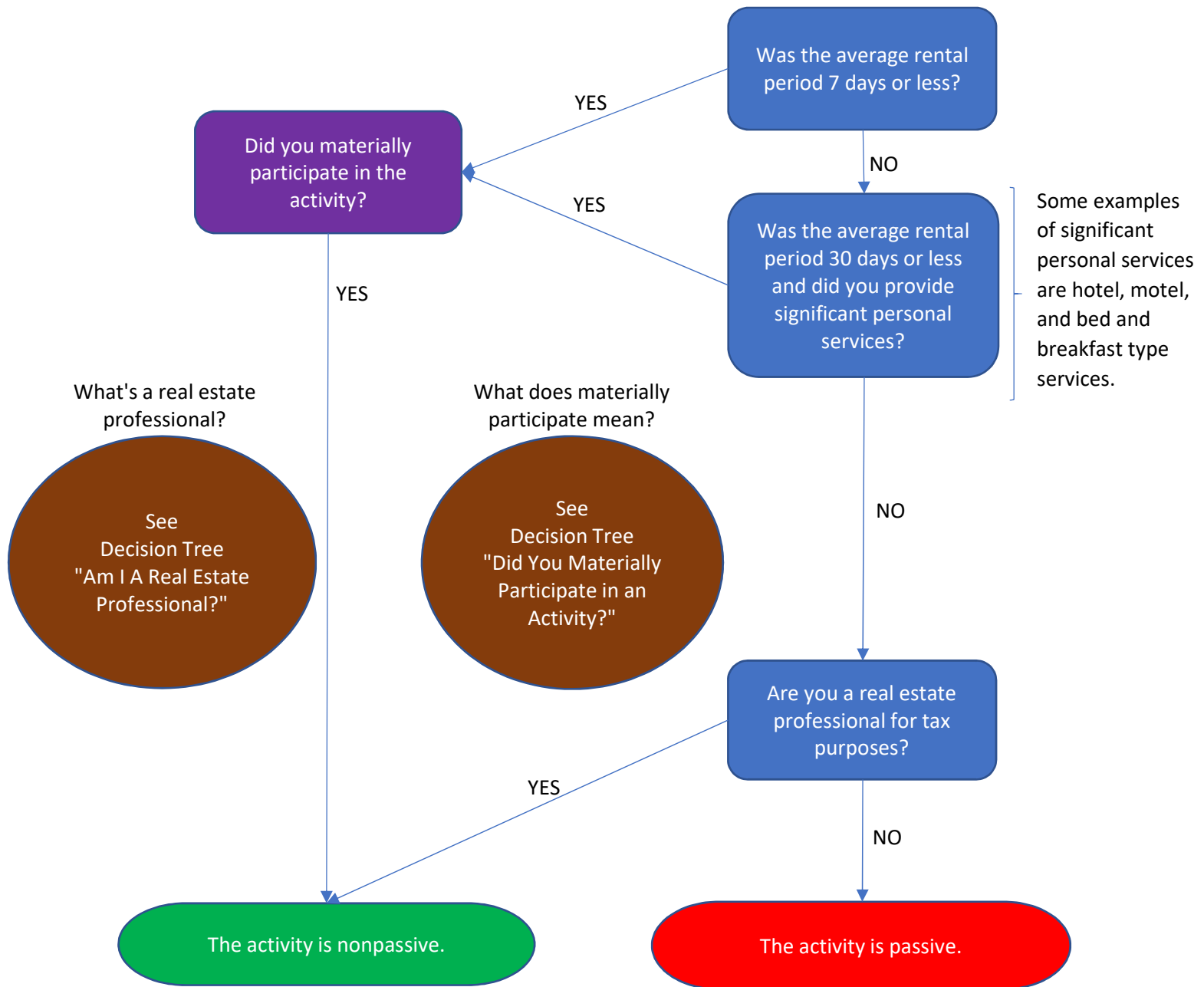


DECISION TREE
IS MY SHORT-TERM RENTAL A PASSIVE OR NONPASSIVE ACTIVITY?



What is a Passive Activity?

Rentals, including equipment leasing and rental real estate

AND

Businesses in which the taxpayer does not materially participate.

What is the Passive Activity rule?

The general rule provides that passive losses can only offset passive income.

Why were the Passive Activity rules enacted?

To prevent taxpayers from deducting passive losses against non-passive income (e.g., wages and investment income).