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Modeling Rental Real Estate Income in Scenario Analysis



⏳ Today's Schedule

Session Timeline Overview

What will we cover in today’s webinar?

Part I

Anatomy of Schedule E

Brief discussion of the various income types reported on Schedule E and how this flows into scenario analysis.

Part II

Information You’ll Need to Get Started

Various data points needed, and what they mean, to accurately model rental income.

Part III

Additional Resource List

IRS and Holistiplan resources that you can review at a later date.

Part IV

Scenario Analysis - Live Review

Overview of how rental income flows in Scenario Analysis within Holistiplan, and how to model rental income including various examples.

Anatomy of Schedule E

Schedule E captures various types of income. Rental Real Estate is Part I, page 1 (along with royalty income).

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SCHEDULE E (Form 1040)

Department of the Treasury
Internal Revenue Service

Supplemental Income and Loss

(From rental real estate, royalties, partnerships, S corporations, estates, trusts, REMICs, etc.)

Attach to Form 1040, 1040-SR, 1040-NR, or 1041.
Go to *www.irs.gov/ScheduleE* for instructions and the latest information.

OMB No. 1545-0074

2025

Attachment Sequence No. **13**

Name(s) shown on return | **Your social security number**

Part I **Income or Loss From Rental Real Estate and Royalties**

Note: If you are in the business of renting personal property, use **Schedule C**. See instructions. If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

A Did you make any payments in 2025 that would require you to file Form(s) 1099? See instructions . . . . . ☐ **Yes** ☐ **No**

B If "Yes," did you or will you file required Form(s) 1099? . . . . . ☐ **Yes** ☐ **No**

1a Physical address of each property (street, city, state, ZIP code)

A	
B	
C	

1b Type of Property (from list below)	**2** For each rental real estate property listed above, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a qualified joint venture. See instructions.		**Fair Rental Days**	**Personal Use Days**	**QJV**
A		**A**			☐
B		**B**			☐
C		**C**			☐

Type of Property:

1 Single Family Residence
2 Multi-Family Residence
3 Vacation/Short-Term Rental
4 Commercial
5 Land
6 Royalties
7 Self-Rental
8 Other (describe)

Anatomy of Schedule E - Rental Income

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			Properties: A	Properties: B	Properties: C
Income:					
3	Rents received	3			
4	Royalties received	4			
Expenses:					
5	Advertising	5			
6	Auto and travel (see instructions)	6			
7	Cleaning and maintenance	7			
8	Commissions	8			
9	Insurance	9			
10	Legal and other professional fees	10			
11	Management fees	11			
12	Mortgage interest paid to banks, etc. (see instructions)	12			
13	Other interest	13			
14	Repairs	14			
15	Supplies	15			
16	Taxes	16			
17	Utilities	17			
18	Depreciation expense or depletion	18			
19	Other (list) _____	19			
20	Total expenses. Add lines 5 through 19	20			
21	Subtract line 20 from line 3 (rents) and/or 4 (royalties). If result is a (loss), see instructions to find out if you must file **Form 6198**	21			
22	Deductible rental real estate loss after limitation, if any, on **Form 8582** (see instructions)	22	( )	( )	( )
23a	Total of all amounts reported on line 3 for all rental properties	23a			
b	Total of all amounts reported on line 4 for all royalty properties	23b			
c	Total of all amounts reported on line 12 for all properties	23c			
d	Total of all amounts reported on line 18 for all properties	23d			
e	Total of all amounts reported on line 20 for all properties	23e			
24	**Income.** Add positive amounts shown on line 21. **Do not** include any losses	24			
25	**Losses.** Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	25	( )		
26	**Total rental real estate and royalty income or (loss).** Combine lines 24 and 25. Enter the result here. If Parts II, III, and IV, and line 40 on page 2 do not apply to you, also enter this amount on Schedule 1 (Form 1040), line 5. Otherwise, include this amount in the total on line 41 on page 2	26			

For Paperwork Reduction Act Notice, see the separate instructions. Cat. No. 11344L **Schedule E (Form 1040) 2025** Created 5/6/25

Anatomy of Schedule E

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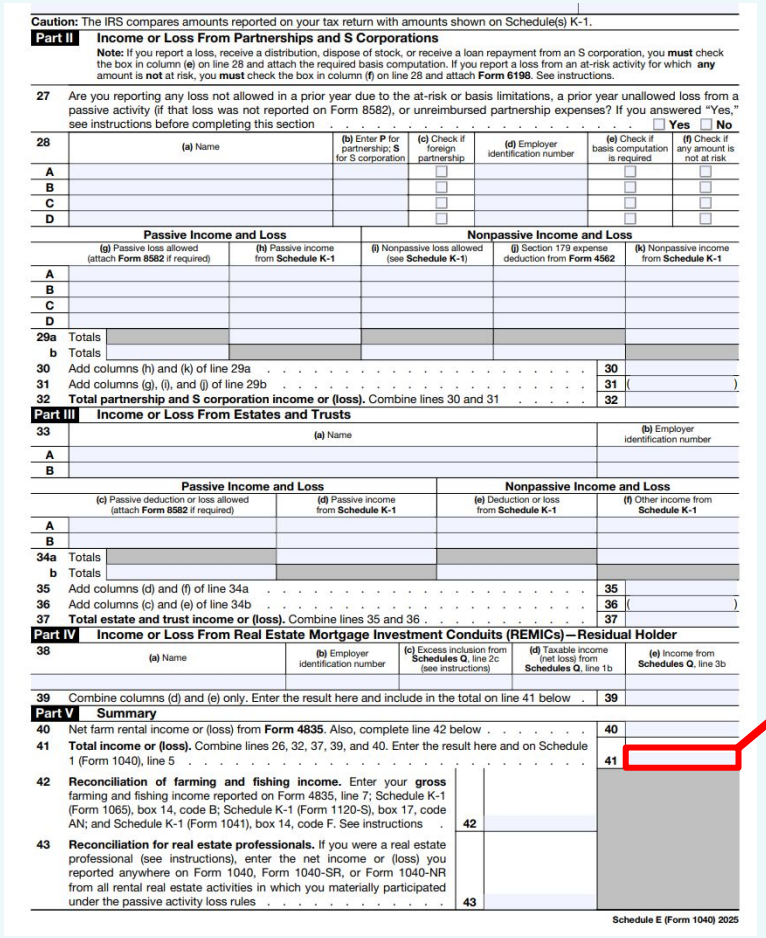
Page 2 | S-Corps and Partnerships (Part II), Estates and Trusts (Part III), Real Estate Mortgage Investment Conduits (Part IV.)

Summary of all Schedule E Income (Part V). Total income (or loss) allowable is line 41.

This is then reported on Schedule 1, Additional Income and Adjustments to Income, Part I, line 5.



Caution: The IRS compares amounts reported on your tax return with amounts shown on Schedule(s) K-1.

Part II Income or Loss From Partnerships and S Corporations

Note: If you report a loss, receive a distribution, dispose of stock, or receive a loan repayment from an S corporation, you **must** check the box in column **(e)** on line 28 and attach the required basis computation. If you report a loss from an at-risk activity for which **any** amount is **not** at risk, you **must** check the box in column **(f)** on line 28 and attach **Form 6198**. See instructions.

27 Are you reporting any loss not allowed in a prior year due to the at-risk or basis limitations, a prior year unallowed loss from a passive activity (if that loss was not reported on Form 8582), or unreimbursed partnership expenses? If you answered "Yes," see instructions before completing this section . . . ☐ Yes ☐ No

28	(a) Name	(b) Enter P for partnership; S for S corporation	(c) Check if foreign partnership	(d) Employer identification number	(e) Check if basis computation is required	(f) Check if any amount is not at risk
A			☐		☐	☐
B			☐		☐	☐
C			☐		☐	☐
D			☐		☐	☐

	Passive Income and Loss		Nonpassive Income and Loss		
	(g) Passive loss allowed (attach Form 8582 if required)	(h) Passive income from Schedule K-1	(i) Nonpassive loss allowed (see Schedule K-1)	(j) Section 179 expense deduction from Form 4562	(k) Nonpassive income from Schedule K-1
A					
B					
C					
D					
29a Totals					
b Totals					

30 Add columns (h) and (k) of line 29a . . . 30

31 Add columns (g), (i), and (j) of line 29b . . . 31 ( )

32 **Total partnership and S corporation income or (loss).** Combine lines 30 and 31 . . . 32

Part III Income or Loss From Estates and Trusts

33	(a) Name	(b) Employer identification number
A		
B		

	Passive Income and Loss		Nonpassive Income and Loss	
	(c) Passive deduction or loss allowed (attach Form 8582 if required)	(d) Passive income from Schedule K-1	(e) Deduction or loss from Schedule K-1	(f) Other income from Schedule K-1
A				
B				
34a Totals				
b Totals				

35 Add columns (d) and (f) of line 34a . . . 35

36 Add columns (c) and (e) of line 34b . . . 36 ( )

37 **Total estate and trust income or (loss).** Combine lines 35 and 36 . . . 37

Part IV Income or Loss From Real Estate Mortgage Investment Conduits (REMICs)—Residual Holder

38	(a) Name	(b) Employer identification number	(c) Excess inclusion from Schedules Q, line 2c (see instructions)	(d) Taxable income (net loss) from Schedules Q, line 1b	(e) Income from Schedules Q, line 3b

39 Combine columns (d) and (e) only. Enter the result here and include in the total on line 41 below . 39

Part V Summary

40 Net farm rental income or (loss) from **Form 4835**. Also, complete line 42 below . . . 40

41 **Total income or (loss).** Combine lines 26, 32, 37, 39, and 40. Enter the result here and on Schedule 1 (Form 1040), line 5 . . . 41

42 **Reconciliation of farming and fishing income.** Enter your **gross** farming and fishing income reported on Form 4835, line 7; Schedule K-1 (Form 1065), box 14, code B; Schedule K-1 (Form 1120-S), box 17, code AN; and Schedule K-1 (Form 1041), box 14, code F. See instructions . 42

43 **Reconciliation for real estate professionals.** If you were a real estate professional (see instructions), enter the net income or (loss) you reported anywhere on Form 1040, Form 1040-SR, or Form 1040-NR from all rental real estate activities in which you materially participated under the passive activity loss rules . . . 43

Schedule E (Form 1040) 2025

SCHEDULE 1 (Form 1040)

Department of the Treasury
Internal Revenue Service

Additional Income and Adjustments to Income

Attach to Form 1040, 1040-SR, or 1040-NR.

Go to *www.irs.gov/Form1040* for instructions and the latest information.

OMB No. 1545-0074

2025

Attachment Sequence No. **01**

Name(s) shown on Form 1040, 1040-SR, or 1040-NR | **Your social security number**

For 2025, enter the amount reported to you on Form(s) 1099-K that was included in error or for personal items sold at a loss . . .

Note: The remaining amounts reported to you on Form(s) 1099-K should be reported elsewhere on your return depending on the nature of the transaction. See *www.irs.gov/1099k*.

Part I Additional Income

1	Taxable refunds, credits, or offsets of state and local income taxes . . .		1
2a	Alimony received . . .		2a
b	Date of original divorce or separation agreement (see instructions):		
3	Business income or (loss). Attach Schedule C . . .		3
4	Other gains or (losses). Check if any from Form(s): ☐ 4797 ☐ 4684 . . .		4
5	Rental real estate, royalties, partnerships, S corporations, trusts, etc. Attach Schedule E . . .		5
6	Farm income or (loss). Attach Schedule F . . .		6
7	Unemployment compensation. If you repaid a 2025 overpayment (see instructions), check here ☐ and enter amount repaid: . . .		7
8	Other income:		
a	Net operating loss . . .	8a ( )	

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Information Needed: Rental Type

What is the average length of time a tenant stays in the property?

Average stay is **seven days or *fewer*.**

Short

Generally not treated as rental activities under the passive activity rules. If substantial hotel-like services are provided, the activity is generally reported on Schedule C instead.

Average stay is ***between* 8 and 30 days.**

Medium

Participation determines whether the activity is passive or non-passive.

Average stay is ***more* than 30 days.**

Long

Holistiplan uses your participation selections to determine whether losses remain passive, qualify for the special allowance, or become non-passive.

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Information Needed: Participation

Participation determines whether the activity is passive or non-passive (active income).

Active Participation

Requires at least 10% ownership and involvement in key decisions (e.g., approving tenants, setting rents). Allows up to $25,000 of rental losses to offset ordinary income, phased out between 100,000–150,000 MAGI.

Real Estate Professional Status

More than 750 hours per year spent in real property trades or businesses, and those activities exceed 50% of total working time. When combined with material participation, rental losses may offset wages and other income.

Material Participation

Requires regular, continuous, and substantial participation. Generally met by 500+ hours annually, or 100+ hours and more than any other participant. Material participation makes an activity non-passive, allowing losses to offset ordinary income.

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Information Needed: Income & Expenses

Income and expenses will determine net income or loss on the rental activity.

INCOME

Gross Rents Received

Total rental income received during the tax year before any deductions. Include all rents, advance rents, and payments for canceling a lease.

EXPENSES

Operating Expenses

Deductible expenses directly related to the rental activity, including property taxes, insurance, repairs, management fees, and utilities *paid by the owner*.

DEPRECIATIO
N

Rental Depreciation

Annual cost recovery deduction.

PASSIVE LOSS
CARRYFORWARD

Prior Disallowed Losses

Rental losses from prior years that could not be deducted due to passive activity loss limits. These losses carry forward and may offset future passive income, or *any* income upon full taxable disposition of the activity.

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Information Needed: QBI Path

Typically for **Real Estate Professionals (REPs)** who **Materially Participate** in a rental activity.

Not Eligible

If neither Safe Harbor or Trade or Business eligibility are met, not QBI eligible.

Safe Harbor

If you meet Revenue Procedure 2019-38 and the 250-hour Safe Harbor rule.

- Triple Net Lease?
- W-2 Wages
- UBIA

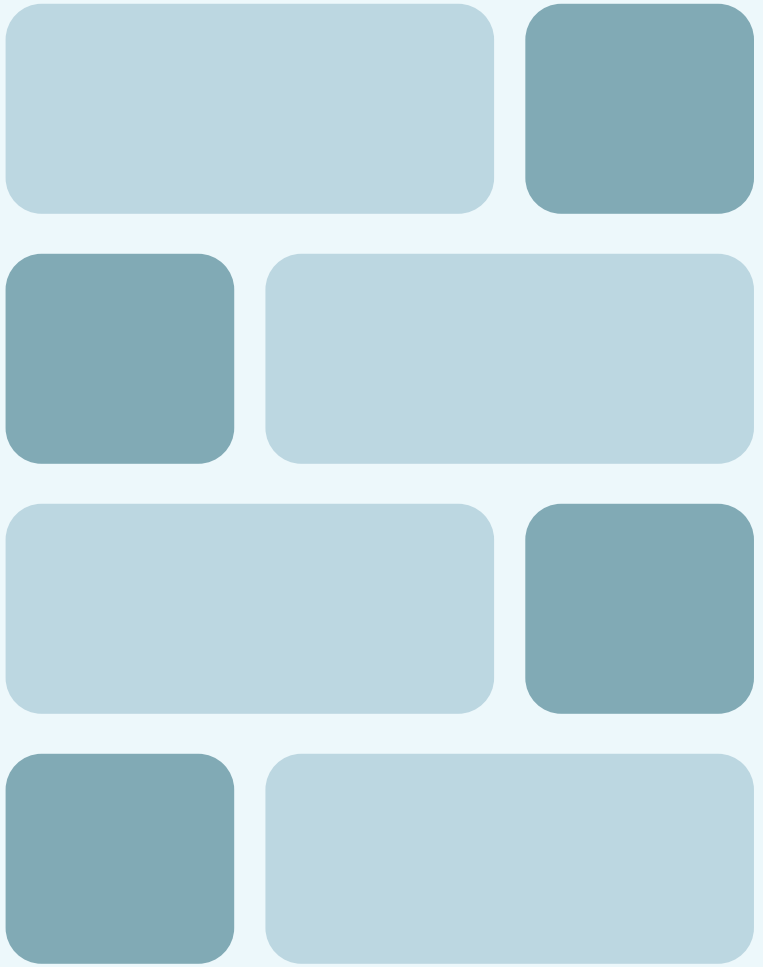
Trade or Business

Rental real estate that doesn't meet the requirements of the Safe Harbor may still be treated as a trade or business if it is a section 162 trade or business based on facts and circumstances.

- W-2 Wages
- UBIA

Additional Resources

- Holistiplan, Rental Real Estate Knowledge Base Article
- Holistiplan, Modeling Depreciation Recapture Knowledge Base Article
- IRS Topic no. 414, Rental income and expenses
- IRS Tips on rental real estate income, deductions and recordkeeping
- IRS Schedule E (Form 1040), Supplemental Income and Loss
- IRS Publication 925, Passive Activity and At-Risk Rules
    - IRS Real Estate Professional Requirements (2025 Pub. 925)
- IRS Form 8582, Passive Activity Loss Limitations
- IRS Form 8995-A, Qualified Business Income Deduction



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Let’s model Rental Income in Scenario Analysis!

First examples:

Gross Rents Received: $18,000
Operating Expenses: $8,000
Rental Depreciation: $15,500

Net Loss -$5,500