

2025 Year-End Tax Checklist for Real Estate Professionals

1. General Preparation

- Organize all income and expense records: Rental income, property sales, closing statements, loan interest, repairs, supplies, travel logs, and management fees.
- Compile depreciation and amortization schedules for all properties.
- Review IRS instructions for all applicable forms and confirm updated filing deadlines and thresholds.

2. Form 4562 – Depreciation & Amortization

- Review depreciation schedules for real estate, equipment, and listed property.
- Check Section 179 expensing limits for 2025: \$1,250,000 cap (subject to phaseout).
- Report business-use percentages for vehicles and other mixed-use assets.
- Include amortization for organizational/start-up costs or intangibles.

3. Form 8582 – Passive Activity Loss Limitations

- Identify passive vs. non-passive rental activities.
- Confirm material participation if claiming Real Estate Professional Status (REPS).
- Calculate allowed and suspended losses, including carryforwards.
- Regroup activities if subject to Net Investment Income Tax (NIIT).

4. Form 4797 – Sales of Business or Rental Property

- Report gains and losses from sales, exchanges, and involuntary conversions.
- Include depreciation recapture for Section 1250 property.
- Attach Form 6252 if reporting installment sales income.

5. Schedule K-1 – Partner/Shareholder Allocations

- Confirm K-1 accuracy for income, losses, credits, and distributions.
- Understand Box 13 and Box 15 codes, especially for real estate deductions and credits.
- Adjust basis for contributions, distributions, and allocated income/loss.

6. Additional Considerations

- Real Estate Professional Status (REPS): Confirm eligibility for loss deductions and passive activity exception.
- Section 1031 Like-Kind Exchanges: Report using Form 8824 and track basis carryover.
- Energy-Efficient Property Deductions: Use Form 7205 for commercial building energy credits.

7. Final Review & Filing

- Cross-check all forms for consistency and completeness.
- Verify depreciation totals, recapture entries, and Schedule K-1 basis adjustments.
- E-file using IRS-approved software or providers to accelerate processing.
- Consult a licensed tax advisor or CPA for complex structures, multi-entity returns, or 1031 exchanges.