

FREE INVESTMENT GUIDE

The High-Income Earner's Guide to Real Estate Tax Strategy

The playbook that wealthy families have used
for generations -- explained in plain English.

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INTRODUCTION

Why I Wrote This Guide

I spent years as an airline captain earning great money -- and watching nearly 40% of it go to the IRS.

If you are a high-income W-2 earner -- a pilot, physician, attorney, engineer, or executive -- you already know the pain. You work incredibly hard. You earn well. And then you watch an enormous chunk of your paycheck disappear to taxes.

Your financial advisor talks about maxing out your 401K and diversifying into index funds. Your CPA files your return. But nobody tells you about the strategies that the truly wealthy have been using for generations.

Strategies like Real Estate Professional Status (REPS), accelerated depreciation, cost segregation studies, and creative financing structures -- tools that are 100% legal, written directly into the Internal Revenue Code, and specifically designed to benefit real estate investors.

I am not a CPA or financial advisor. I am a Airline Captain with 27+ years in aviation who got tired of writing massive checks to the government -- and decided to educate myself. What I learned changed my entire financial trajectory.

Today, I:

- + Invest strategically in real estate with accelerated depreciation
- + Qualify for Real Estate Professional Status (REPS)
- + Are developing a \$116M aviation community in Florida
- + Operate two themed vacation rentals near Disney World
- + Partner with operators on large-scale real estate deals

This guide covers the exact strategies we use. It is written in plain English -- no jargon, no fluff. Just the playbook, explained simply, so you can take action.

"The tax code rewards real estate investors. That is not an opinion -- it is the Internal Revenue Code."

CHAPTER 1

Real Estate Professional Status (REPS)

The single most powerful tax strategy available to married high-income households.

\$100K-\$200K+

Potential Annual Tax Savings

750 Hours

Annual RE Activity Requirement

What Is REPS?

Under normal IRS rules, real estate losses are classified as "passive losses." This means they can only offset other passive income -- not your W-2 salary. Your \$400K airline income? Untouchable.

But when you or your spouse qualifies as a Real Estate Professional, everything changes. Your real estate losses become non-passive -- meaning they can offset ANY income, including your W-2.

THE IMPACT:

A household earning \$500K with REPS status and the right real estate portfolio could reduce their annual tax bill by \$100,000 - \$200,000+ per year. Same income. Same family. Different tax strategy.

How to Qualify

Only ONE spouse needs to meet these two requirements:

1. 750+ hours per year spent on real estate activities (property management, acquisitions, deal analysis, RE education, tenant communication, bookkeeping)
2. More time in real estate than any other job. If your spouse works a W-2 job, they need to spend more hours on RE than at that job.

Who It Works Best For

- + A spouse who works in real estate (agent, property manager, acquisitions)
- + A spouse who manages your rental properties (even part-time)
- + A stay-at-home parent who dedicates time to RE activities
- + A spouse who works part-time (under 750 hours) at another job

CRITICAL: Document EVERYTHING. Keep a detailed time log. The IRS can audit REPS status, and your only defense is your records. Apps like REPStracker make this simple.

"Only ONE spouse needs to qualify. That single decision changed our entire financial picture."

CHAPTER 2

Accelerated Depreciation & Cost Segregation

How to turn a \$1M property into \$200K-\$400K in tax deductions -- in year one.

\$29K/yr

Standard Depreciation

\$200-400K

With Cost Segregation (Year 1)

27.5 yrs

Compressed to 5-7 Years

How Depreciation Works

When you buy real estate, the IRS lets you "depreciate" the building value over time -- 27.5 years for residential property. This creates a paper loss that offsets your real income, even though your property may be appreciating in value.

For a \$1M property (with \$800K in building value), standard depreciation gives you about \$29,000 per year in deductions. Helpful, but not life-changing.

Enter: Cost Segregation

A cost segregation study is an engineering-based analysis that reclassifies parts of your property into shorter depreciation timelines:

- + 27.5-year property reclassified as 5, 7, or 15-year components
- + Carpeting, appliances, landscaping, parking lots, specialty wiring -- all depreciate faster
- + Combined with bonus depreciation, front-load massive deductions into year one

REAL EXAMPLE:

\$1M property purchase:

Without cost segregation: ~\$29K/year in depreciation

With cost segregation: \$200K - \$400K in YEAR ONE

That is \$200K-\$400K in income that the IRS cannot tax.

The Power Combo: REPS + Cost Segregation

1. Buy a property with an operator who includes a cost segregation study
2. Accelerate depreciation -- generate \$200K-\$400K in paper losses in year one
3. Apply REPS status -- those losses become non-passive and offset your W-2 income
4. Your taxable income drops dramatically -- legally

This is not a loophole. It is Sections 167, 168, and 469 of the Internal Revenue Code, working exactly as designed. The tax code was written to encourage real estate investment.

"Your property is going UP in value. But on paper, the IRS sees a LOSS. That is the power."

CHAPTER 3

Be Your Own Bank

Stop letting your bank earn returns on YOUR money.

0.5%

Typical Savings Account

10-15%

Private Lending Returns

3-4x

Your Money Works Harder

The Problem With "Safe" Money

Most Americans park their savings in bank accounts earning 0.5% -- maybe a CD at 4% if they are proactive. Meanwhile, inflation runs at 3-4% annually. Your "safe" money is slowly losing purchasing power every single day.

TRADITIONAL SAVINGS:

Savings account: 0.5%
 CDs: 3-4%
 After inflation: ~0% real return
 Bank profits off YOUR money

PRIVATE LENDING:

Simple interest: 10-15%
 Secured by: Real property
 After inflation: 6-11% real return
 YOU are the bank

How Private Lending Works

1. Find a trusted operator -- someone with a track record of buying, renovating, and holding real estate
2. Lend your capital -- the operator uses your funds to acquire or renovate property
3. Earn fixed interest -- typically 10-15% simple interest, paid monthly or at maturity
4. Secured by real property -- your loan is backed by the actual real estate asset

Who Can Do This?

- + Capital to lend (even \$25K-\$50K can get started)
- + A trusted operator with a verifiable track record
- + Proper legal documentation (promissory note, deed of trust)
- + The willingness to stop letting your bank profit from your deposits

Experienced operators acquire large real estate assets and bring in investment partners. Investors can participate in these deals -- receiving both equity AND the tax benefits that come with ownership.

"Your money is either working for YOU or working for your BANK. Choose wisely."

CHAPTER 4

Operator Partnerships

Real estate exposure without becoming a landlord.

THE OLD WAY:

- x Browse Zillow for properties
- x Manage tenants yourself
- x Handle maintenance at 2 AM
- x Limited to what you can find/afford

THE SMART WAY:

- + Partner with experienced operators
- + Invest capital into vetted deals
- + Receive equity + depreciation
- + Access deals worth millions

How It Works

1. The operator finds a deal -- vetted, analyzed, and structured for returns
2. You invest capital -- becoming a partial owner of the property
3. The operator executes -- managing from acquisition through stabilization
4. You receive returns -- equity appreciation, cash flow, AND depreciation benefits

5 Questions to Ask Any Operator

- + What is your track record? (Ask for specific deal history with numbers)
- + How is the deal structured? (Equity split, preferred returns, waterfall)
- + What are the projected returns AND the downside scenarios?
- + Will a cost segregation study be performed? (Critical for tax benefits)
- + How and when will I receive distributions and tax documents?

The key insight: You bring capital. The operator brings the deal, the execution, and the expertise. Your money works 10x harder than a savings account -- and you never unclog a toilet at midnight.

"You do not need to find deals. You do not need to manage tenants. You need a trusted operator."

CHAPTER 5

Creative Financing

How the wealthy buy real estate without using (much of) their own money.

Most people think buying real estate means going to a bank, getting a mortgage, and putting 20% down. That works -- but it is the slowest, most expensive way to build a portfolio. Creative financing strategies allow you to acquire real estate with little or none of your own capital.

Subject-To (SubTo) Financing

Buy a property "subject to" the existing mortgage. The seller's loan stays in place -- you take ownership and make the payments. No bank qualification needed. No new loan origination fees.

Seller Financing

The seller acts as the bank. You negotiate terms directly: interest rate, payment schedule, down payment. Often more flexible than any traditional lender.

Private Money Lending

Borrow from private individuals. Faster than banks, more flexible terms, relationship-based. This is the borrower's side of the "Be Your Own Bank" strategy.

1031 Exchanges

Sell an investment property and defer 100% of capital gains taxes by reinvesting into a "like-kind" property within 180 days. Your equity grows tax-free, deal after deal.

Creative financing is not just about buying property. It is about structuring deals for maximum tax efficiency. The right structure can mean the difference between a good investment and a great one -- especially when combined with REPS status and cost segregation.

"The wealthy do not use their own money. They use leverage, relationships, and creative structures."

CHAPTER 6

Asset Protection

Building wealth is step one. Protecting it is step two.

If you are earning \$200K+, you are a target -- for frivolous lawsuits, creditors, and unnecessary tax exposure. The more wealth you build, the more important it becomes to protect it.

Key Protection Strategies

- + LLCs for each property -- separate liability; one lawsuit does not touch everything
- + Series LLCs -- one parent entity with unlimited "cells," each holding a property
- + Land trusts -- hold property anonymously; your name stays off public records
- + Umbrella insurance -- additional liability coverage beyond standard policies
- + Operating agreements -- define ownership and worst-case scenarios
- + Estate planning -- ensure wealth transfers to family, not the IRS

The rule of thumb: Never hold investment property in your personal name. Always use a legal entity. The cost of setting up an LLC is a fraction of what a single lawsuit could cost you.

Building Your Team

- + Tax strategist (not just a CPA who files -- one who PLANS)
- + Real estate attorney familiar with asset protection structures
- + Cost segregation specialist for maximizing depreciation
- + Trusted operators for deal sourcing and execution
- + Insurance broker who understands real estate investor needs

"Never hold investment property in your personal name. Always use a legal entity."

YOUR NEXT STEPS

The Action Plan

Knowledge without action is just entertainment. Here is how to start.

1. Assess your tax situation. Look at your last tax return. How much did you pay? What is your effective tax rate? This is your starting point -- and your motivation.
2. Talk to a tax strategist. Not your current CPA. Find someone who PLANS taxes, not just files them. Ask about REPS qualification for your household.
3. Evaluate your household's REPS potential. Can your spouse dedicate 750+ hours to real estate activities? What would that look like for your family?
4. Connect with operators. Start building relationships. Ask the 5 questions from Chapter 4. Look for track records, not promises.
5. Start educating yourself. Join communities, read books, listen to podcasts. The more you learn, the better questions you will ask.
6. Take imperfect action. You do not need to know everything to start. The first deal does not need to be perfect. It needs to be done.

Ready to Take the Next Step?

I help high-income earners understand and implement these strategies. Whether you are exploring investment opportunities or just want to connect:

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My Ventures

- + Shepards Landing -- \$116M aviation community, Port Charlotte FL (shepardslanding.com)
- + JetFuel Capital Group -- Tax-efficient investment vehicles (jetfuelcapitalgroup.com)
- + Magic Manor Orlando -- Themed vacation rentals near Disney (magicmanororlando.com)
- + Escapology -- Entertainment franchise, 2 NJ locations

Disclaimer: This guide is for educational and informational purposes only. It does not constitute financial, tax, investment, or legal advice. The strategies discussed may not be suitable for all individuals. Tax laws and regulations change frequently. Always consult with qualified tax professionals, financial advisors, and legal counsel before implementing any investment or tax strategy. Past performance is not indicative of future results. Real estate investing involves risk, including potential loss of capital.

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