LION PARK
CAPITAL

Tax Benefits of Passive Multifamily Investing

How real estate can help you keep more of what you earn

Smart investing means building wealth — and protecting it with powerful tax advantages.

About Lion Park Capital

Lion Park Capital helps busy professionals build long-term wealth through **passive multifamily real estate investing**. We acquire institutional-quality properties in high-growth markets driven by job creation, population influx, and diversified economies.

With **2,172 units and $316 million of assets under management**, we provide our investors access to opportunities that deliver consistent cash flow, appreciation potential, and powerful tax advantages – without the stress of being a landlord.

Our mission is simple: to help you achieve **financial freedom** and **build generational wealth** through multifamily investing.

Lion Park Capital: Helping busy professionals build lasting wealth through multifamily real estate.

Nimesh Patel
Principal

LION PARK
CAPITAL

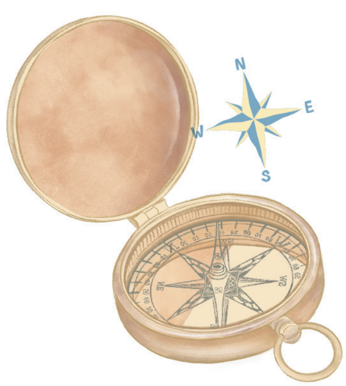
Our Vision & Mission

Our vision drives us. Our mission delivers for you.

Vision

To empower professionals to achieve financial freedom and create lasting legacies through multifamily real estate.

Mission



We deliver passive investing opportunities in institutional-quality multifamily properties by leveraging our experience, disciplined underwriting, and commitment to investor success.

Why Taxes Matter in Investing

For most investors, **taxes are their single biggest expense**. You can pick the right stocks, earn a strong salary, and build a business – but if you don't manage taxes, you're leaving a huge portion of your gains behind.

Multifamily real estate is unique because it offers **powerful tax advantages written into the U.S. tax code**. These aren't loopholes or tricks – they're IRS-approved strategies that professional investors have been using for decades. As a passive investor, you can access them too.

How this pertains to you:

- **Higher Cash Flow, Lower Tax Bill:** You may receive distributions every quarter, but depreciation and deductions often make your taxable income appear much smaller (sometimes even negative). That means you keep more of your earnings working for you.
- **Tax Deferral = Compounding Wealth:** By deferring capital gains through tools like 1031 exchanges, your money stays invested and grows faster – instead of being eroded by a large tax bill.
- **Generational Benefits:** Long-term rules like the step-up in basis allow wealth to pass to heirs with little or no tax hit. That means what you build today can remain intact for your family tomorrow.

Investor Takeaway

When you invest in multifamily real estate, you're not only targeting **income and appreciation** – you're also gaining access to **built-in tax advantages** that most other investments (stocks, bonds, mutual funds) simply can't match.

These benefits are IRS-approved strategies available to everyday investors – not loopholes.

Depreciation: A Paper Loss That Shields Real Cash Flow

What it is:

Multifamily real estate depreciates on a **27.5-year schedule**. The IRS allows investors to deduct a portion of the property's value every year, even though the asset may actually be appreciating in the market.

These "paper losses" offset rental income, often reducing taxable income to zero (or even negative) while you're still receiving positive cash flow.

Example: How it pertains to you

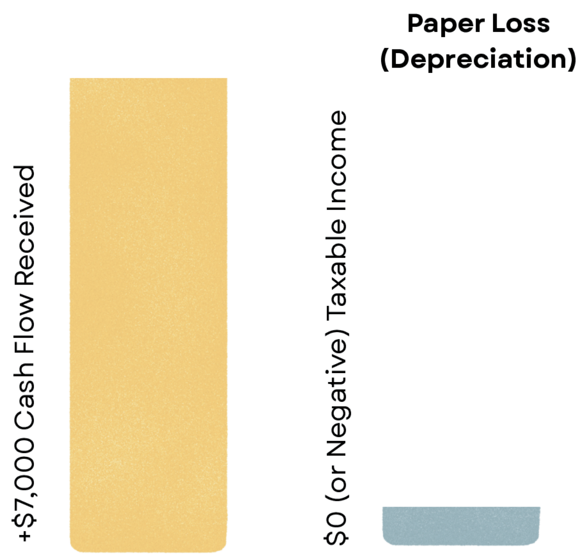
- You invest $100,000 in a multifamily deal.
- Over the year, you receive $7,000 in cash flow distributions (7% yield).
- On your K-1 tax form, thanks to depreciation, your taxable income may show as $0 or even a loss.

That means:

- You keep the full $7,000 in your pocket.
- You report little to no taxable income from this investment in the current year.
- If a "paper loss" is recorded, it can carry forward to offset future passive income.

Investor Takeaway:

Depreciation is one of the most powerful tools in real estate investing because it allows you to **earn real cash flow while reporting little to no taxable income.** For high-income professionals, this means you can build a second income stream without triggering a crushing tax bill.



Accelerating Benefits Through Cost Segregation

What it is:

A cost segregation study “breaks apart” a property into different asset classes. Instead of treating the entire building as 27.5-year property, engineering studies identify components (like flooring, lighting, plumbing, appliances, and land improvements) that can be reclassified into **5-, 7-, or 15-year property**.

Why it matters to you:

- These shorter-life assets qualify for **100% bonus depreciation** under current law (for property placed in service on or after Jan 20, 2025).
- That means you may be able to deduct a **large portion of your investment in year one**, dramatically reducing taxable income while still receiving positive cash flow.

Example

You invest **$100,000** in a multifamily deal.

- The operator performs a cost segregation study and identifies **30% of the building** ($300,000 of a $1M building) as shorter-life property.
- Under 100% bonus depreciation, that $300,000 can be **fully deducted in year one.**

On your K-1 tax form, you may show a large **paper loss** (say –$30,000) in year one, even though you actually received **$7,000 in cash flow distributions.**

👉 That “loss” can offset passive income from other deals and, if unused, it carries forward to future years.

Investor Takeaway

Cost segregation supercharges the normal depreciation schedule. For high-income professionals, this is one of the few ways to create **immediate, meaningful tax shields** on cash flow. While the building itself still depreciates over 27.5 years, components carved out via cost seg can deliver massive early-year tax advantages.

Deferring Capital Gains with 1031 Exchanges

What it is:

A **1031 exchange** allows you to sell one investment property and reinvest the proceeds into another "like-kind" property **without paying capital gains taxes immediately**. Instead, you defer the tax bill and keep your money working for you.

Why it matters to you:

- Selling a property the traditional way often means writing a **large check to the IRS**.
- With a 1031, those tax dollars stay invested, compounding your wealth over decades.
- You can "trade up" into larger, higher-performing properties without losing momentum to taxes.

Example

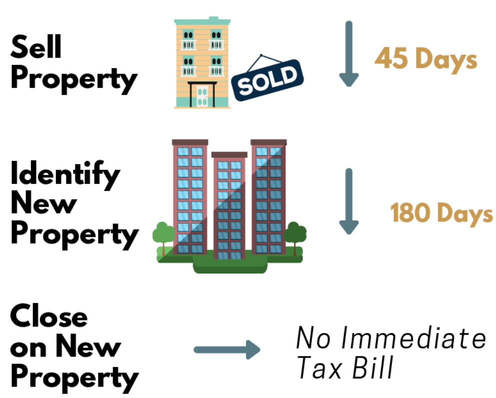
- You invest **$200,000** in a multifamily deal.
- After 5 years, your share of the sale proceeds is **$350,000** (a $150,000 gain).
- If you sell outright, you may owe **$30,000+ in capital gains taxes** (20% federal, plus possible state taxes).
- If you use a 1031 exchange, you can roll the full **$350,000** into a new deal – **no immediate tax bill.**

Over time, by repeating 1031 exchanges, investors can keep deferring taxes, allowing wealth to snowball faster than if taxes were paid at every sale.

Investor Takeaway

1031 exchanges aren't about avoiding taxes forever – they're about **deferring taxes strategically** so your capital compounds. For long-term investors, this can mean doubling or tripling wealth potential compared to paying taxes at every exit.

1031 Exchange Timeline



LION PARK
CAPITAL

Passive Losses & Tax Planning

What it is:

Multifamily investments often generate **paper losses** through depreciation and deductions. These are called passive losses because they come from **passive activities** (real estate, partnerships, etc.).

Why it matters to you:

- Passive losses can offset other **passive income** – like from other rentals, private business partnerships, or additional multifamily deals.
- If you or your spouse qualify for **Real Estate Professional (REP) status**, these losses can sometimes offset **active income** (W-2, 1099, or business income). That's a powerful tax planning strategy.
- Even if unused, losses **carry forward** year to year until they can be applied.

Example

- You invest in a multifamily deal and receive **$7,000 in cash flow.**
- Thanks to depreciation and deductions, your K-1 shows a **paper loss of –$10,000.**
- That $10,000 can offset passive income from another investment (say, $12,000 from another rental).
- Your taxable passive income is reduced to **$2,000**, significantly cutting your tax bill.

If you or your spouse qualify for REP status, that **–$10,000** could even offset W-2 or business income – which is a major advantage for high earners.

Investor Takeaway

Passive losses are not wasted losses. They are **strategic tax shields** that can reduce your overall tax burden while you still collect cash flow. Understanding how to use them (and whether REP status applies) is essential to maximizing returns.

Real Estate Professional (REP) Status: If you or a spouse qualify, passive losses may offset active income such as W-2 or 1099 earnings.

LION PARK
CAPITAL

Long-Term Capital Gains & Step-Up Basis

What it is:

Real estate held longer than one year typically qualifies for **long-term capital gains rates** when sold – which are lower than ordinary income tax rates. Beyond that, multifamily offers a unique intergenerational advantage: the **step-up in basis.**

Why it matters to you

- **Long-term capital gains** help you keep more of your profits when properties sell compared to being taxed at ordinary income rates.
- **Step-up in basis** means that when assets are passed to heirs, the tax basis resets to current market value. This can eliminate decades of unrealized gains.
- Practically, your heirs can inherit cash-flowing assets without facing a crushing tax bill.

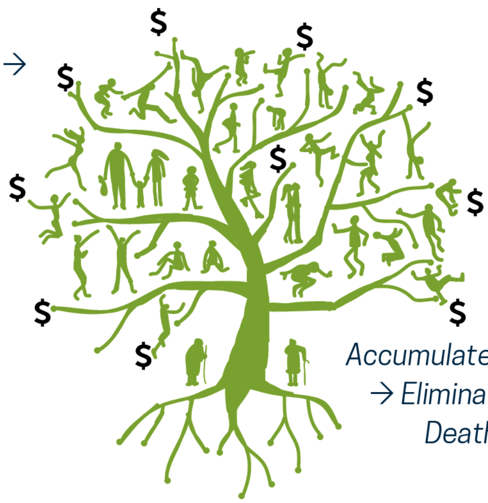
Example

- You invested **$200,000** in multifamily. Over 20 years, your share grows to **$600,000.**
- If you sell, you may owe capital gains taxes on the **$400,000 gain.**
- If instead you pass the asset to heirs, the basis "steps up" to **$600,000 –** the current value.
- The accumulated $400,000 in gains disappears for tax purposes. Your heirs can begin building from this new, higher basis.

Investor Takeaway

This is why many investors use multifamily not only as a **cash flow strategy for today,** but also as a **legacy strategy for tomorrow.** Step-up in basis allows wealth to transfer efficiently across generations – one of the most underappreciated advantages in real estate.

Step-Up in Basis → Tax Reset



Accumulated Gains → Eliminated at Death.

Step-up basis allows wealth to be passed down without a large tax hit.

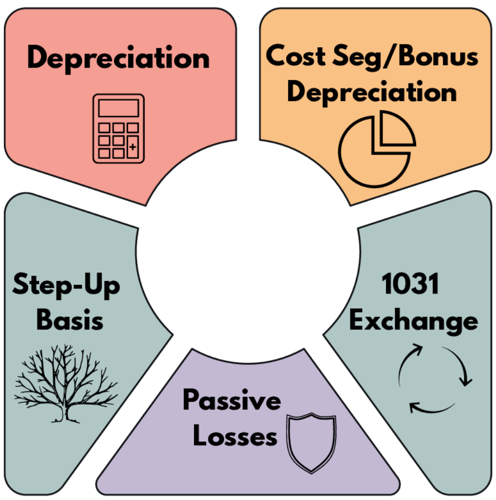
LION PARK CAPITAL

Key Takeaways

Multifamily real estate isn't just about cash flow and appreciation – it's also about **keeping more of what you earn** through strategic tax advantages.

What this means for you as an investor:

- **Depreciation** shields rental income from taxes, allowing you to collect cash flow with little or no taxable income.
- **Cost Segregation + Bonus Depreciation** accelerate deductions, giving you powerful upfront tax shields.
- **1031 Exchanges** let you defer capital gains across decades, compounding wealth tax-deferred.
- **Passive Losses** offset other passive income – and with REP status, can even reduce active income.
- **Step-Up in Basis** preserves legacy wealth, resetting gains at inheritance so your family inherits more.



Investor Takeaway

Taxes are one of the largest drags on wealth. By leveraging these IRS-approved strategies, multifamily investors can **earn, compound, and transfer wealth more efficiently** than with most other asset classes.

JOIN NOW

Ready to maximize your returns while minimizing your tax burden?

Join the **Lion Park Capital Investor Network** for access to upcoming opportunities, market insights, and case studies.

LION PARK CAPITAL