

From: "jeffrey E." <jeevacation@gmail.com>

To: Jeremy Rubin <[REDACTED]>, Lesley Groff <[REDACTED]>

Subject: Re: Housing Idea

Date: Tue, 04 Oct 2016 15:27:52 +0000

tomorw good

On Tue, Oct 4, 2016 at 10:55 AM, Jeremy Rubin <[REDACTED]> wrote:

Hey are you in town? I'm here till thurs eve.

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[REDACTED]

On Fri, Sep 30, 2016 at 6:01 AM, jeffrey E. <jeevacation@gmail.com> wrote:

first issue is step transaction. . collapse of all the middle . second corporate tax. ? third new rental tax.
. it would be considered an exchange of a bond for rent. same as any other exchange. . ill be in new
york next week if you are around

On Fri, Sep 30, 2016 at 7:30 AM, Jeremy Rubin <[REDACTED]> wrote:

Hey,

So inspired by my inability to find a good apt in NYC, I have an inkling of an idea and wanted to shoot it by you. It's something I think I'd like to try, but also could be interesting from a building a company to automate it perspective.

The problem that I'm having is that temporary housing is very expensive and time consuming to find in NYC.

On the contrary, long term housing has a worse tax consequence as you can't deduct it as a business expense in the same way when you're self employed.

My idea is to form a corporation, invest your rent money into the corporation in the form of a bond that pays out based on the rent utilization (valued at the base rent), then have the corporation rent the apartment. You are then free to short term sublease the apartment to either yourself or to other people (eg, through airbnb). Now, when you sublease it to yourself, you can pay at the market rate. Your rent into the sublease is considered a biz expense, and you can deduct it. You then get at the end of the year a bond that is either a loss or a gain. It is a gain if you actually rented it to other people above market rate, loss if only to yourself and you didn't get full utilization. It is neutral if you stay there the whole time. Basically this system means that you get to deduct your utilized rate once out of your 1099 tax, and any excess rent can be used as a capital loss to offset other taxes.

Example:

- 1) Start Apt Corp
- 2) Purchase a bond for one month's rent (let's say \$2000) from Apt Corp.
- 3) Apt Corp rents/buys an apt.
- 4) Month 1: You live there the whole time and pay Apt Corp \$2000. The \$2000 is a business expense because it's short term housing, but you get the bond out for the exact same amount so it's capital-neutral.
- 5) Month 2: You don't live there at all, and pay Apt Corp \$0. The \$2000 you lose from the bond are now a capital loss which you use to offset your capital gains.
- 6) Month 3: Apt Corp rents it half the time at 2x the price, so it's also neutral. You don't gain/lose anything.
- 7) Month 3: Apt Corp rents it all the time at 2x the price, so it's a 2x return. You get a 2x valued bond because you actually made money.

Of course, you should (probably) make these bonds mature on a 1yr period to get long-term rates, but what's the bug in this? Does this work? Can I do it to save taxes/rent? Is the part where you get a preferential rate rent as a shareholder illegal? How many days out of the year can you stay there before it become not short term housing, and you can no longer deduct your rent? Can you improve this design if you work with, say, 4 room mates who are in a TIC with you as shareholders?

Furthermore, can this type of property management be automated for people? Can this become a "legalzoom-like" level of managed? I could see a lot of friends interested in using such a service...

Also if you happen to know of any interesting apartments... hahaha.

Best,

Jeremy



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