[Your Name]
[Your Address]
[City, State, Zip Code]
[Email Address]
[Phone Number]

[Date]

[Client Name]
[Client Address]
[City, State, Zip Code]

Subject: Tax Strategy Overview for Second Home Investment

Dear [Client Name],

Following our recent discussion regarding your interest in acquiring a second property, I have outlined the primary tax considerations and strategies to optimize your investment based on current IRS regulations.

The tax treatment of your second home depends significantly on how the property is categorized:

1. Personal Residence Status
If the property is used strictly for personal use, you may deduct mortgage interest on up to $750,000 of total qualified residence loans. Additionally, you may deduct state and local property taxes (SALT) up to the $10,000 aggregate limit.

2. The 14-Day Rental Rule (Section 280A)
If you rent the property for fewer than 15 days per year, the rental income is entirely tax-free. You do not have to report the income, though you cannot deduct any rental-related expenses.

3. Mixed-Use Vacation Home
If you rent the property for more than 14 days and use it personally for more than 14 days (or 10% of the total rental days), it is considered a mixed-use property. Expenses must be prorated between personal and rental use. Rental losses in this category generally cannot be used to offset other income.

4. Rental Investment Status
If personal use is kept to a minimum (less than 14 days or 10% of rental days), the property is treated as a business. This allows for the deduction of operating expenses, insurance, maintenance, and depreciation, which can significantly reduce your taxable rental income.

Proposed Strategy:
To maximize your tax benefits, we should evaluate the potential for "Short-Term Rental" (STR) loopholes or the "Real Estate Professional" designation if you intend to use rental losses to offset your active W-2 or business income.

Please review these options. I suggest we schedule a meeting to analyze the specific numbers for the property you are considering.

Sincerely,

[Your Signature]

[Your Printed Name]
[Your Title/Company]