



**The Art of Passive Income Podcast**  
**With Mark Podolsky and Scott Todd**

**Today's Guest:** [Mark Kohler](#)

**Transcript**

**Mark:** Hey it's Mark Podolsky, the Land Geek, with your favorite nichey real estate website, [www.TheLandGeek.com](http://www.TheLandGeek.com) and I'm really excited for today's guest because he's kind of a big deal and it's one of my favorite subjects because a lot of people don't realize that typically, for people in businesses their biggest expenses if they are doing it right is taxes. And our guest today is going to talk all about different areas of tax savings and just cool stuff. But before we talk to our guest, I'd be remiss if I didn't properly introduce my co-host: Six Sigma – you know him and you love him – Scott Todd from [ScottTodd.net](http://ScottTodd.net), [LandModo.com](http://LandModo.com) and most importantly if you're not automating your Craigslist and your Facebook postings, [PostingDomination.com/TheLandGeek](http://PostingDomination.com/TheLandGeek) (PostingDomination.com/#) Scott Todd, how are you?

**Scott:** I'm good, Mark. How are you?

**Mark:** I'm great. I'm great. I just want to remind the listeners today's podcast is sponsored by [GeekPay.io](http://GeekPay.io) and [Indiscernible] [00:01:20] to automate getting paid from your borrowers. Get your first note for free at [TheLandGeek.com/GeekPay](http://TheLandGeek.com/GeekPay). Let's talk to our guest, Scott. Are you ready?

**Scott:** I'm ready, Mark.

**Mark:** Mark Kohler, C.P.A., J.D., is a best-selling author; national speaker, radio show host, writer and video personality for [Entrepreneur.com](http://Entrepreneur.com). He is real estate investor. He is a senior partner in the law firm, Kyler, Kohler, Ostermiller & Sorensen, and the accounting firm of Kohler & Eyre, CPAs. Mark is a personal and small business tax and legal expert, who helps clients build and protect wealth through wealth management strategies, and business and tax remedies often overlooked in the challenging, ever-changing economic climate. Let's face it he's the smartest guy in the room. Mark Kohler, how are you?

**Mark Kohler:** Well, I don't know about that. Thank you for having me, stoked to be here. It's an honor, thank you, gentlemen.

**Mark:** So, Mark, I mean let's face it taxes, really? It's probably the least fun thing to think about, right? Like I know when somebody asks me about taxes I just kind of like my eyes get really glazed over and I kind of start yawning. So, what is about you that drew you to tax savings?

**Mark Kohler:** Oh well, okay. I think I can respond to that about my personal approach as well as I've got two arguments to help get your listeners get over this mental hurdle because I want everybody do not shut down this podcast and today go, "Well, I will wait for Mark's and Scott's new podcast." No, you've got to hear this.

There are probably two things that really drive me and I think there are important to understand. Number one is the Ying and the Yang. Everybody loves to hear someone smart guy or girl talk about ways to make money. "Oh, I can make money here. I can make money here." But the Ying and the Yang is the other side of the equation. What can I do to save money? So many business owners love to make money but they are terrible in accounting for it, saving taxes, being responsible with the money, reinvesting it appropriately because it's not as sexy to talk about savings as it is making money. So, my first urbanation and what makes me excited is that they really do balance each other out and my successful investors, my successful business owners have a healthy respect for both sides of that equation and I'm hoping that some of you listening today by end of that because it will make you far, far more successful when you're responsible on the back end as well as on the front end.

**Mark:** Scott Todd, are the hairs on the back of your arms standing up right now in excitement?

**Scott:** Look, man, like I don't know I've got two Marks here and they are both like my brothers because Mark is saying all the stuff that I have spent

my career doing. You know a lot of people don't realize, Mark, but I have an accounting degree. I spent years and years as a controller in corporate America and then I kind of moved into some operations and then I kind of moved into IT; it's kind of a weird career path. But that said for a long time my job was about shutting down the expenses, keeping what we were earning, question everything and I think it's something that a lot of people get away from. A lot of people are about, listen bring in the money and you've got to spend money to make money and you do but you need to spend it wisely. You need to invest the money into your business wisely to get back the return that you want.

**Mark Kohler:** Well, I'm glad I'm speaking to Scott's soul, my soul mate here. Now let me give you my second argument. My second argument is this can be fun. You just have to get excited about it. My wife came home the other day she was buying some new home decor and I won't give a plug to the store she was at but she spent a good chunk of change this day and came back and her SUV all of this new decor for the house for the spring and I was like, "What the hell happened?" Of course, what does she do? Some of you whether male or female your spouse comes out and shows the receipt and says, "Well, look at how much I saved." That's how I want you to be about your tax returns. I want you to be like, "Look at my tax return guys. Look at how much I saved." It can be fun. It can be tactical. It can be engineering and it can be like man I am I'm saving so much more money when you just apply yourself a little bit and it can be really exciting.

**Mark:** Okay. So, let's kind of get into that last sentence that you just said if you just apply yourselves a little bit. What do we need to apply so that we can start you know basically having like a parade with our tax return?

**Mark Kohler:** You bet. The first thing is folks remember you are the captain of your ship. You don't need to know where it's going to go on the tax return. You don't need to know the exact little you know basis calculations in the tax code down to the minute level. You don't. But you do have to be responsible for going, "Okay, I know what my plan is and I can speak intelligently with my tax advisor." You should not get pushed around by your tax advisor. You should be pushing them around. If they're more conservative than you, they demean you, they talk down to you, and you've got the wrong tax advisor. They should be bringing you ideas not bringing them I just saw. So, today's show I'm going to give four or five, six major tips and if you don't know those generally then you got to roll up your sleeves and get to it because you need to be in control of your financial strategy; not letting your accountant tell you what your plan is.

**Mark:** You know it's so interesting that you said that because when I think of my CPA I honestly think of somebody that's just doing the task of preparing my taxes and that's it, right? My CPA doesn't call me on a quarterly basis and say, "Mark, here is a new tax strategy to save you money." They don't do that. They are in the business of preparing tax returns and if you get a CPA that's really conservative they are the business of helping the IRS get more of your money so that they avoid any type of red flags. Scott Todd, do you agree with me?

**Scott:** I do. And you know it's funny that Mark just said, "Hey, you know you don't get pushed around by your CPA." You know, Mark, I teach the class Accounting for Land Investors, right? I teach this class and one of the things I talk about is the fact that you can pay taxes on our land on the installment basis. It's right there in the tax code is very clear right there and I can't tell you this year alone how many times someone who took the Accounting for Land Investors class went into the Facebook group and said, "Hey wait, my CPA says no. My CPA says that's not right." I'm like, "Dude, your CPA ..." They're like scared of their CPA. I'm like, "Your CPA you should be able to tell them, " Hey man, listen here's the tax code. Get it done. Figure out how to do it." But it's amazing how many CPAs out there don't even want to like listen to their client when their client is educated and that's really why I created Accounting for Land investors because I wanted them to have the ability to say to their CPA, "You're wrong," and then next year go find a new CPA.

**Mark:** Yeah. So, Mark, what are the tips?

**Mark Kohler:** Okay. So, here's a couple important points when it comes to land investing and Scott, Mark, were on the same page; I love it. We are having a great conversation here. I want my land investors because that's what you're teaching, which I love and so I want to make my comment centric to your listeners that are doing your strategy. So, that's what I'm focused on right here.

I think it's important that land investors realize they're in one of two camps and it's not good or bad but you have to decide I'm going to be doing passive real estate land purchases and sales, I'm considered a passive investor or I'm considered active or real estate professional? There are pros and cons to both. So, I want to give some strategies that are really important and maybe even define those two camps because all of us want to pick and choose the nice tax strategy, "Oh, I want long capital gains. Oh, I want short-term gains. Oh, I don't want self-employment tax." Everybody tries to pick and choose the strategy and they shoehorn themselves into that

strategy when the reality is you may not want to do that or you may not be allowed to do that.

So, two camps, passive, that means you're not doing a lot of land flipping. You've got a day job. You might be doing three to five deals a year at most. You're not making your primary living off of this. So, those gains are going to be short-term or long-term capital gains. They're not going to be subject to self-employment tax. I might even do some 1031 exchanges free on some long-term pieces that you've held more than 12 months. So, I've got all sorts of options there. Now is that the get all in the door? No, I've got clients that don't want to be in that camp. But if you are in the passive camp, you're going to get the benefits of that long term or short term capital gains. All of your land sales are going to go on a schedule deed. You're going to be able to do installment sales that's Scott's talking about. Not everybody can do installment sales. So, if you're passive and you're in that category, then I'm going to focus in on that and it go down that path. So, that's camp number one. What are you guys thoughts on that?

**Scott:** Well, I think that everybody can. Even the dealers can do installment sales because of the loophole that I'm talking about Mark.

**Mark:** Yeah, there is an exemption.

**Scott:** It says that if you're selling vacant residential lots unimproved, you can do the installment sale on that too even if you are a dealer. So, that's really the thought. But you're right. Like there's a balance between being the passive investor or a dealer or an active piece and choose wisely.

**Mark Kohler:** Yeah and here's my point. Yes, there's an exemption for that but do you really want to get into a fight with the IRS over that and then go through each lot tic and tac and get into an audit scenario. If you're doing a ton of these and you're going to hang your hat on that, you better have some darn good records because installment sale does get audited and if you've got a lot of transactions and you're going to hang your hat on that exemption that's cool. I know it's there but it means that we want to just go for it on everyone. I know, Mark, that on our last call when you were on my show we talked about the fact that most of your down payments are the purchases are going to cover the taxable gain, they're going to cover your acquisition costs potentially. So, a lot of times if you do claim that gain upfront, you're not going to have a tragedy on the backend if you don't do an installment sale.

Now let me throw this out to you. I want to get the other camp out there being a dealer and a professional is freaking awesome. It's a good thing. So,

many people are scared of that qualification and I don't agree with that. Because when you're a real estate professional I'm getting passive loss carried through on all of my rental properties. Now I know Mark is on a big fan of rental properties but some of you out there do have rental properties and if you don't qualify as a real estate professional those losses are captured in a carried forward bucket. But if you do qualify you're getting those passive losses deductible against any other income you have which is huge and I love that.

Also, if you're a dealer professional like you can solve any self-employment tax problem by doing all of your flips in an S-Corp which many of my clients do. An S-Corp is a wonderful solution and the new 20 percent tax cuts and Jobs Act deduction applies to ordinary income. So, if you're out flipping properties through an S-Corp and you minimize any self-employed tax problem, you're getting the 20% deduction which you don't get with capital gains. So, you're leaving this 20 percent deduction on the table that you can grab and also we can take the gains, sorry there is so much here, is you can take the gains from your flipping of property and fund a 401k which you cannot do with capital gain in an installment sale. So, there are pros and cons of both everybody. Don't think it's get all end all to be in one camp.

**Mark:** All right, excellent, excellent, Scott. Todd, are your thoughts now.

**Scott:** No, sounds good let's see what the other tips are.

**Mark Kohler:** Man, I thought we beat that up a little bit. Some of you listeners are like, "Man that was water over. You know that was like way over my head."

**Scott:** What else you got, man?

**Mark Kohler:** All right, okay, I'll throw it down. So, without going and reiterating what I just talked about and I think there's a lot to be said there. So that balance between choosing the right categorization and where to use those profits. Here's another major strategy opportunity shifting. Now what I mean by that is hey you hear from Mark or Scott and oh you're doing their strategy and you're learning from them and you find another property for sale in New Mexico and it's a great deal. Here's my strategy, don't do it. Don't pay the tax on it. You're like, "Mark, what the crap are you talking about? I can make money on this flip so it's a no-brainer. It totally fits into Scott's and Mark's strategy. What are you talking about?" That's right. Don't do it. Let your IRA do it. Let your 401k do it. Let your health savings account do it. Let your kid's college IRA do it. Let like your kids ROTH IRA do it.

Shift some of your opportunities to a qualified retirement plan where you may never pay tax on it then all this bullshit of the installment sale, real estate professional, it doesn't even matter because you're not going to pay tax on the gain anyway. So many of my clients that are doing fixed and flip strategies with complete rebuilds on homes or with raw land they're doing five or six deals in their S-Corp, they may be doing two or three deals in their own name, they might be doing two or three deals in their Roth IRA, and paying zero tax entirely. I love self-directing with raw land.

**Scott:** Honestly, I think we should stop doing all of our deals in our LLCs and start doing them all in our eQRps, don't we?

**Mark:** I know. I know. So, Damion Lupo is the only guy that comes to our Bootcamp and because I had Jay Massey on the podcast called The Best Passive Income Model Podcast and I would say to everybody I'd walk him through our model and I said, "Do I have the best passive income model?" He said, "No, because you don't get any tax benefits. You don't get depreciation with raw land it lasts forever." He's right. And so the only real tax evasion strategy is exactly what you said if you invest through a self-directed IRA or a qualified retirement plan like what Scott and I do. You can either grow these you know 3000 percent returns tax-deferred or tax-free through your Roth. It's a brilliant strategy, Mark, and I'm so glad you brought it up. I feel like we're BFFs now.

**Mark Kohler:** Yeah, yeah. Well, now here's where this gets working guys because I know that ... don't be offended. I know that many people that do raw land investing they're all hot and bothered with long term or short term capital gains. Well, think outside the box. If I do establish an S-Corp and I do my raw land flipping in an S-Corp now I can establish a sister 401k so that 401k can even be a Roth 401k. So when my proceeds from my raw land flips go into my S-Corp I can fund my 401k that turns around and does the next four or five deals. But you can't do that with capital gains.

Also, I want to put my kids on payroll. I want all my kids involved and want to work in the home office, stuffing envelopes, shredding paper doing all the things that the passive income strategy these guys teach builds. My teenagers are my office cleaners, my janitors, my paper shredders, my envelopes stampers. Well, I want to put them on payroll. Well, when I took my daughter Molly who's 15 on my payroll which I can't do with capital gain but I can through an S-Corp strategy. Now I've got my kids on payroll, they can fund their own Roth IRA and that's a partner in my next deal too and it can even be their college IRAs which is called the Coverdell. So the theory is here sometimes we don't need to get all hot and bothered with one strategy and think outside the box and go, "Wow, I could be facilitating an income

shifting strategy through my family members as well with an ordinary income strategy not a capital gains installment strategy.”

**Scott:** Mark, have you put your kids to work yet?

**Mark:** Okay. So, my whole issue with that is that I love the strategy and you know it's funny because-

**Mark Kohler:** How old are your kids? Let's go through it. How old are your kids?

**Mark:** I have teenagers. I have teenagers. All three could be doing stuff. The problem is, Mark, I don't want them in my business. I don't want them there. I know it's a little gray area so I feel kind of bad.

**Mark Kohler:** No, it's not. This is not gray at all and you need the kids in your business and you're leaving money on the table you're darn right you need your kids in your business. I have all my kids know QuickBooks. They can sit down and reconcile bank statements, they can input data, they can stuff envelopes, they can shred paper, and they can clean the office. I want to teach my kids entrepreneurship.

Do you know my 23 year old just bought his first fix and flip and his first rental? I've got my other two daughters that are now watching your passive land investing strategy. This is where we can leave a legacy and this is not high risk. This is a New York Deli hiring the kids in the Deli after school. This is the Oklahoma farm hiring the kids working on the farm in the winter or summer and this is you with a real estate business in your basement hiring your kids.

In 20 years I have not even had an IRS auditor question paying your kids. We put it on our client's tax returns, we stand behind it. Now I'm not paying a six-year-old five grand a year. I might start a six-year-old at a \$100 a month cleaning the office but then my teenager should be up five, six, seven, eight grand a year helping out in the business for \$500 to \$1000 a month working in the business and that's a tax deduction to you and it's tax free to them. They don't even have to file a tax return.

**Mark:** I'm sold.

**Scott:** Mark, think about this for a minute. Think about this. You put your kids through work. You tell them, "Listen, I'm cutting you off today. No more free money from dad. No, you want to go shopping. No, you got to work for it, baby." They're going to hate you but then you're going to start the money



flowing, right? Then you tell them, "Oh by the way you've got to pay for your cell phone bill. Oh, by the way, you do have to pay for room and board here at the house." Now you've turned your personal expenses into business expenses because you put your kids to work.

**Mark:** No, it's genius. I'm going to do it.

**Scott:** We're doing it today, Mark.

**Mark:** We are doing it today.

**Scott:** You and I.

**Mark:** All right, done and done.

**Scott:** I'm your accountability buddy here. We're going to get the thing done. I'll break the news to your kids. You break the news to my kids.

**Mark:** Definitely. I will be like, "Uncle Scott has something he wants to talk to you about."

**Scott:** Put them on.

**Mark:** Put them on. So, Mark Kohler, what you else do you got? I love this.

**Mark Kohler:** Well, that alone. Man, I'm throwing out a ton. Let me throw this out. I've got an eBook on my website *The Top 10 Tax Saving Secrets Everybody Needs to Know*. This includes ordinary income structuring. It's going to include self-directing, putting your family on payroll, writing off home office. There's a new auto deduction strategies this year that are amazing. The new 20 percent pass-through deduction for business owners is huge this year. There's so much there.

I have a weekly newsletter. It's free, a weekly podcast as well, [RefreshYourWealth.com](http://RefreshYourWealth.com). So anyway, here's my point for everybody listening if you don't have a tax advisor that's excited and or just at least bringing you strategies on a weekly basis letting you know what's out there that you've got you don't have an advisor. You just have like Mark said someone that's plugging in numbers for you. You need someone that's going to strategize with you. So, check out my website [MarkJKohler.com](http://MarkJKohler.com) and get my free eBook, sign up for my newsletter. There's no cost to that at all. There's tons of videos and online content for where I talk about everything I've talked about today for gosh a half hour here 45 minutes there. So, you can

get more educated on this people, but you're the captain of your ship. Don't give up on this.

**Mark:** All right, Mark. So before we go to our tip of the week, I want to ask you one more question.

**Mark Kohler:** Yes, sir.

**Mark:** What do you believe is normal or wise or cool that other people think is absolutely crazy?

**Mark Kohler:** That a lot of people think owning a small business is crazy. It's funny how many groups I get up in front of and they're scared to death to start a small business and they'll say it's too risky. I say it's too risky not to start a business on the side. What are you going to fall back on when your primary occupation has a bump on the road? What are you going to fall back on if you have medical issues and can't work? What are you going to fall back on when you need to pay extra bills or expenses? Having a small business is not crazy. It is your solution to building the American dream. So many people, they miss out on it. It just drives me insane. So I feel like I'm a huge advocate for just simply entrepreneurship and passive raw land investing is entrepreneurship, people. Get on board, own it, be excited about it.

**Mark:** I'm excited. I love it. I love it. Scott Todd?

**Scott:** Look, Mark, I can tell you I mean I've...

**Mark Kohler:** Kindred spirits.

**Scott:** I lived this thing, right? Like I went through, I did not have a side hustle. I wanted one badly. I tried over years, I failed and land was the only thing that I actually succeeded at in terms of starting my own business. I had many little flops along the way. But Mark is right in terms of the fact that if you don't have something, man, you are at such a great risk, man. You talk about putting all your eggs in one basket, it's crazy. Then you hear stories sometimes about like oh husband, wife, work for the same company oh even worse and no side hustle? Oh, man, do yourself a favor and it doesn't matter I mean I think that land is a great opportunity. But even if you decide land is not for you, you better be doing something because the day will come when the man says, "Sorry, bye, bye. Have a good one."

**Mark Kohler:** Yeah. It's so dangerous. So, it's reckless not to be thinking outside the box. So, there you go.

**Mark:** So, I love it.

**Mark Kohler:** Ready for the tip of the week, then?

**Mark:** Yeah, yeah. I mean you've given us so many tips, so much great mentorship, but let's just push you for one more: a website, a resource, a book, something else actionable.

**Mark Kohler:** Let me use this as a tip to give practical steps of something I already talked about. That is I want to challenge all of you to set up a self-directed IRA this week. It could be a Roth IRA. You could grow money from your 401k, your old IRA but get it at a self-directed custodian. If you want to email me I can send you three or four contacts for great; that's Mark@MarkJKohler.com, M-A-R-K@MarkJKohler.com. Send me an email I will send you some custodians to choose from.

Get your account set up and the number to consider the IRA LLC. You can be the manager of that LLC, you can control the checkbook of that LLC and when you're doing these raw land deals you never have to charge your custodian again. You give them a report every January of what's the crap is going on and that's it. Your IRA should an LLC in combination with your other families IRAs, and Roths and Coverdales. I don't else care. Do this in your health savings account. I own a rental property in my health savings account that pays for my kid's dental care, boom, done. So, think outside of the box open a self-directed custodian account this week. Work on getting an LLC structure, and do a land deal before the end of the year in your IRA LLC. That's my challenge to all of you, very doable.

**Mark:** I love it. I love it. Scott Todd, what's your tip for the week?

**Scott:** Oh man how do I beat that one, Mark?

**Mark:** Honestly I think I'll give you a pass this week if you want.

**Scott:** I should pull the Phillip Marr card here and just say I don't want to overwhelm people. But here you go Mark. Here's an audiobook I've been listening to that is really kind of cool. I think it's the *CEO Next Door* and it's *The 4 Behaviors That Transform Ordinary People Into World Class Leaders* and the reality is it ties in directly to what we're talking about here which is everyone; everyone should be the CEO of their company. You know you do have greatness in you and if you just listen to this it will help you to identify how you too can pull up the behaviors that will or could turn you into a world-class leader.

**Mark:** I love it.

**Mark Kohler:** I like it, very good.

**Mark:** *CEO Next Door.*

**Scott:** If you want to learn about Accounting for Land Investors, [ScottTodd.net/for/Accounting](http://ScottTodd.net/for/Accounting), Accounting for Land Investors.

**Mark:** Well, yeah, absolutely. I mean it really goes very nicely with this podcast, the accounting course, Scott Todd. As we discussed, it's going to be your biggest expense. You know when you're making these kinds of margins if you're not putting into practice good best practices for your accounting, you're not using a tax strategy like the ones that Mark Kohler discussed, you are leaving money on the table like me so don't do that. Really there's no reason to; it's just procrastination and the only reason we procrastinate is because there's some type of a pain that we're avoiding. So for me, it might just be that I have to do something else right because I feel overwhelmed, but get out of that and do it.

So, my tip of the week is learn more about Mark at [MarkJKohler.com](http://MarkJKohler.com). Just go to his website. He's got tons of resources lots of books. It is a treasure trove of information, everything from tax saving, to assets protection, estate planning. Anywhere you want to protect your family, you want to increase your wealth it's all there, MarkJKohler.com who is now the smartest man in the room. We don't get a lot of C.P.As J.D.s on the podcast. Which by the way listeners the only way we are going to get the quality of guests like a Mark J. Kohler is if you do us three favors, you've got to subscribe, you've got to rate, you've got to review the podcast. Send us a screenshot of that review to [Support@TheLandGeek.com](mailto:Support@TheLandGeek.com) we're going to send you for free the \$97 *Passive Income Launch Kit* as well as the eBook *Dirt Rich*. So, please do that and we will really appreciate it.

**Mark Kohler:** I love that. Mark, thanks for having me. I'd love to come back and talk about the other part of this equation finally is the asset protection where we put in these assets, these notes, potentially teenage drivers that Mark you're dealing with and all the lawsuits risks that's out there, texting and driving and all those things. So, separate from taxes we can talk about assets protection a huge other part of our business services and what I do. But I love you guys this message, thanks for having me, this is so freaking awesome and I feel like I'm talking to kindred spirits so good stuff.

**Mark:** You definitely are. Thank you. Thank you so much. Scott, are you ready?

**Scott:** We are just going to let freedom ring, Mark.

**Mark:** Let freedom ring. All right, thanks everybody.

*[End of Transcript]*