DO YOU KNOW THESE

TAX BENEFITS

OF RENTING YOUR HOME?

Mega Agent
RENTAL MANAGEMENT

Owning or managing rental property can be a great way to reduce your personal income taxes. Understanding which tax deductions *(benefits called "taxable losses")* that you qualify for will help reduce your income considerably. And that means less money you owe to Uncle Sam!* Sounds great, doesn't it?
If you're ready - let's get started!

*Mega Agent Rental Management always recommends working with a licensed tax professional to help you navigate the tax advantages of real estate investment. Mega Agent Rental Management cannot give tax advice as we are not certified tax professionals.

Management fees

Mega Agent Rental Management fees, like tenant procurement commissions and management fees are all tax deductible.

Maintenance

Any repairs, provided they are reasonable, are deductible in the year in which they occurred. Such repairs often include, paint, carpet cleaning, plumbing, fixing drywall, doors/locks, broken windows and lawn care. Be careful to only replace items with items of similar quality. Upgrades are considered improvements and may not qualify for a tax deduction!

Utilities & HOA Fees

All utilities that a owner / landlord pays that are directly related to the property are tax deductible. In addition, any Home Owners Association fees are also tax deductible.

Advertising

Any fee you pay, *within reason*, to advertise your property can be partially or fully expensed.

Depreciation

You can deduct a certain percentage of your property through lost value depreciation. Property that wears out, decays, gets used up or becomes obsolete over time qualifies for depreciation. Your lot and raw land is not a depreciating asset so is not included in this deduction. Make sure you take your depreciation on your taxes, or you will regret it when you sell the property.

Travel

Any travel to/from your rental properties can be expensed as mileage (standard IRS mileage rate for 2020 is 57.5¢ per mile).

Interest

The interest on your mortgage or credit cards used for management purposes can be deducted. Mortgage interest is often the single largest deduction landlords make during the tax year.

Insurance

The premiums you pay for your property can be deducted. This includes fire, theft, flood and liability insurance as well as any Home Warranty Contract purchased by the owner.

Qualified Business Income Deduction

For 2018 and beyond, the Tax Cuts & Jobs Act of 2017 estabished a new deduction based on qualified business income (QBI) from a pass-through business entity. The deduction generally equals 20% of QBI, subject to restrictions that can apply at higher income levels and a limitation based on your taxable income. Check with your accountant for requirements and qualifications.

Legal and professional services

You can deduct legal, accounting and real estate investment advisor fees as operating expenses.

SAMPLE ANNUAL SAVING CALCULATIONS

Annual Rent	**$20,000**
Annual Expenses (35%)	**($7000)**
Net Operating Income	**$13,000**
Mortgage Interest	**($12,000)**
Net Income	**$1,000**
Depreciation Expense (1/27.5 of building cost for residential rental real estate - buildings or structures and structural components)	**($8,500)**
Taxable Income (Loss)	**($7,500)**
Potential Savings (Assumes 10 - 39.6% tax bracket rates)	**$750 - $2,970**

This sample calculation shows a $7,500 loss which you would then enter into your IRS 1040 form to reduce your taxable income, therefore reducing your taxes. Potential annual savings depends on your income tax bracket.

Other tax deduction bonuses and must-knows:

- You don't have to pay taxes on rental income from properties that are rented only up to 14 days.
- How much of your taxes are reduced depends on your income and filing status.
- You can deduct up to $25,000 in losses if your modified adjusted gross income is $100,000 or less.
- You can deduct some of the lost value that occurs on a property through depreciation. Use IRS Form 4562 to calculate depreciation.
- Be warned though, Passive Activity Loss Rules limit how much loss a tax payer can deduct each tax year.
- You cannot depreciate the value your raw land.

Sources:
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