General Expenses for Rental Property

The IRS lets you deduct ordinary and necessary expenses required to manage, conserve, or maintain property that you rent to others from the time it is made available for rental. You're allowed to deduct these expenses if your property is vacant, as long as you're trying to rent it. Also, expenses must be deducted in the year they are paid.

- Cleaning/Maintenance
- Yard/Snow removal
- Trash & Recycling
- Gas
- Electricity
- Equipment
- Water/Sewer
- HOA Dues
- Laundry
- Storage
- Management Fees
- Parking
- Advertising
- Tune-ups on Lawn Mowers, Chain Saws, Leaf Blowers, etc.
- Light Bulbs
- Smoke Detector Batteries
- HVAC Filters
- Janitorial Items
- Landscaping and Tree Trimming
- Technology Licenses
- Management Fees
    - Property Management Companies
    - Individual Property Managers
    - On-site Manager
    - Condominium Association Fees
    - Special Assessments
- Auto Travel
    - Business Vehicles (depreciable)
    - Mileage **or** Gas/Maintenance/Usage of Business or Personal Vehicles
- Telephone
- Office Supplies
    - Ink & Printer Paper
    - Pencils, Pens, and Staples
    - Rental Software (like Cozy)
    - Legal Forms
    - Rent Paid for Office Space

    - Square Footage of a Home Office
    - Phone Bills
- Wages and Salaries
- Insurance
    - Homeowners Insurance
    - Mortgage Insurance Premiums
    - Fire/Damage/Liability Insurance
    - Flood Insurance Riders
    - Theft Insurance
    - Workers' Compensation Insurance
    - General Liability Insurance
    - Personal Umbrella Insurance
- Licenses
- Real Estate Taxes
- Mortgage Interest
- Other Interest
    - Home equity loans, HELOCs, or second mortgages must be used to "buy, build, or substantially improve the taxpayer's home that secures the loan" for the interest to be deductible
    - Credit card interest on items used for the property
- Refinance fees and mortgage points are entered in the Assets/Depreciation section instead of the Expenses section. The IRS considers these "amortizable intangibles" which means they must be depreciated, not expensed.
- Pest Control
- Equipment Purchased
- Repairs - Expenses to keep your property in good working condition but that don't add to the value of the property
- Painting/Spot Patching
- Plumbing Repairs
- Air Conditioning Repair
- Fixture Repairs
- Labor Costs/Contractors
- Incidentals related to a repair
- Rental Fees for Tools/Equipment
- Electrical
- Appliances
- Personal Property Tax/Vehicle Tax
- Permit Fees/Inspection Fees
- Flooring
- Roof
- Depreciation
- Security System
- Travel to and from the property

    - Airline Fares
    - Car Rentals and Taxis
    - Hotels
    - 50 percent of meal expenses during long-distance travel
- Professional fees
    - Accounting
    - Professional Tax Preparation
    - Tax Preparation Software (like TurboTax)
    - Structural Engineering and Consulting
    - Legal Fees
    - Lease Review and Editing
    - Court Filing Fees
- Commissions
- Lease cancellation costs
- Pest control
- Uncollected rent.
    - If you are a cash basis taxpayer, do not deduct uncollected rent. Because you have not included it in your income, it is not deductible.
    - If you use an accrual method, report income when you earn it. If you are unable to collect the rent, you <u>**may**</u> be able to deduct it as a business bad debt.
- You must capitalize any expense you pay to improve your rental property. An expense is for an improvement if it results in a betterment to your property, restores your property, or adapts your property to a new or different use. Includes, but not limited:
    - **Additions** – Bedroom, Bathroom, Deck, Garage, Porch, Patio
    - **Lawn & Grounds** – Landscaping Overhaul, Driveway, Walkway, Fence, Retaining wall, Sprinkler system, Swimming pool
    - **Structural Upgrades** - Storm windows, doors, New roof, Central vacuum, Wiring upgrades, Satellite dish, Security system
    - **Heating & Air Conditioning** - Heating system, Central air conditioning, Furnace, Duct work, Central humidifier, Filtration system
    - **Plumbing** - Septic system, Water heater, Soft water system, Filtration system
    - **Interior Improvements** - Built-in appliances, Kitchen modernization, Flooring, Wall-to-wall carpeting
    - **Insulation** – Attic, Walls, floor, Pipes, duct work

<u>**NOTE**</u>:
If you or your spouse actively participated in a passive rental real estate activity, you may be able to deduct up to $25,000 of loss from the activity from your non-passive income.

Example: You had $60,000 in depreciation and expenses for a given property in a single year, however that property only generated $20,000 in rental income. This leaves you with a $40,000 loss. You can claim $25,000 of losses that year, but then you are allowed to "recapture" the other $15,000 in losses against your income the next year. If you continue to have losses beyond $25,000 year after year, you can recapture the sum of the unused losses against the gains when you sell the property.