

DO YOU KNOW THESE

TAX BENEFITS

OF RENTING YOUR PROPERTY?

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

*Renters Warehouse always recommends working with a licensed tax professional to help you navigate the tax advantages of real estate investment. Renters Warehouse cannot give tax advice as we are not certified tax professionals. This document is merely an example.

Management fees

Renters Warehouse fees, like placement and management fees are all tax deductible. This includes fees for our **Certified Tenant Match & Warranty Program, Professional Landlord Services and Optional Protection Plans.**

Maintenance

Any repairs, provided they are reasonable, are deductible in the year in which they occurred. Such repairs often include, paint, some plumbing, fixing drywall, doors/locks and broken windows. Be warned, only replace items with the same quality goods. Upgrades are considered improvements and may not qualify for tax deductions.

Advertising

Any fee you pay, within reason, to advertise your property can be partially or fully expensed. If you use **Renters Warehouse's Certified Tenant Match & Warranty Program**, the cost of advertising is already covered.

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. Land is not a depreciating asset so is not included in this deduction.

Travel

Any travel to or from local or long distance rental properties can be expensed as mileage (standard mileage rate for 2014 is 56 cents/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.

Insurance

The premiums you pay for your property can be deducted. This includes fire, theft, flood and liability insurance as well as **Renters Warehouse's optional Protection Plans** that help defray accidental tenant damage costs and manage tenant risk.

Legal and professional services

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

Sources:

<http://www.houselogic.com/home-advice/tax-deductions/tax-deductions-rental-homes/#>
http://www.irs.gov/publications/p17/ch09.html#en_US_2013_publink1000171655
<http://www.zillow.com/blog/income-taxes-for-rental-properties-144134/>
<http://www.irs.gov/pub/irs-pdf/p527.pdf>

SAMPLE ANNUAL SAVING CALCULATIONS

Annual Rent	\$20,000
Annual Expenses (35%)	(\$7,000)
Net Operating Income	\$13,000
Mortgage Interest	(\$12,000)
Net Income	\$1,000
Depreciation Expense <small>(1/27.5 of building cost for residential rental real estate - buildings or structures and structural components)</small>	(\$8,500)
Taxable Income (Loss)	(\$7,500)
Potential Savings <small>(Assumes 10 - 39.6% tax bracket rates)</small>	\$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 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 Form 4562 to calculate depreciation.
- Be warned though, Passive Activity Loss Limitations limits how much loss you can use to reduce your income.
- You cannot depreciate the value of the land.