

DO YOU OPERATE A RENTAL PROPERTY? ARE YOU GETTING THE TAX BENEFIT OF EVERY POSSIBLE EXPENDITURE?

According to the IRS website, if you operate a rental property you can deduct "ordinary and necessary expenses for managing, conserving and maintaining your rental property." But what kinds of expenses are considered ordinary and necessary?

IRS Schedule E* provides this list of common expenses:

- Advertising (newspaper, radio, internet)
- Auto and travel
- Cleaning and maintenance
- Commissions (amounts paid to someone who helped you find a tenant)
- Insurance (both homeowners and liability)
- Legal and other professional fees (includes accounting)
- Management fees
- Mortgage interest
- Other interest
- Repairs
- Supplies
- Taxes (real estate and personal property taxes, NOT income taxes)
- Utilities
- Depreciation

In our experience there are some expenses that can sometimes slip through the cracks. One common expense that might be missed for a rental property you both own and manage is figuring a mileage deduction for driving to and from the property to perform repairs, meet with renters or just to check on the status of the property. You can figure the deduction based on the business rate that the IRS provides each year (56 cents per mile in 2014, 57.5 cents in 2015) for trips to and from your home to the rental property.

Mortgage interest includes interest from a 2nd mortgage on your main home if the proceeds you received were used to purchase or help to purchase a rental property. You don't necessarily have to have a mortgage on the rental property itself. This is especially important if the amount you are paying for interest on the 2nd mortgage does not provide you with enough of a deduction to itemize on Schedule A.

Do you have a credit card that you use strictly for purposes of paying for rental expenses? In addition to the charges for expenditures, any fees associated with the credit card, including finance charges, are deductible.

Are you keeping paper records for your rental property? Money paid for folios, notebooks, etc. that you use to keep track of the rental property are deductible as supplies.