

Do you pay homeowners association dues? Make sure you are reporting the amount so that you get the deduction.

If your locality has a fee or license assessed for operating rental properties, the expense can be deducted.

Do you have a home-based business for which you receive rent from a regular (C) corporation? If so, don't forget to deduct a percentage of ALL of the monthly expenses to effectively run your household equal to the relative size of the portion of the home used exclusively for business. Do you have someone perform lawn maintenance? Deduct a portion of that cost. Are you paying a monthly fee for a security system for your house or for pest control service? Don't forget to include those as utility costs. Unfortunately, the IRS currently does not allow for any deductions on Schedule E for individuals to reduce rental income received from a Subchapter S Corporation.

Another area of concern is repairs. When does a repair cross the line between being deductible for the current year and being capitalized for depreciation purposes? Basically, the rule of thumb is whether the repair substantially alters the property. As an example, if you pay someone to paint the interior walls, that is a repair. If you pay a contractor to add a deck, that should be capitalized and depreciated.

If you have any questions about whether an expense should be considered, please don't hesitate to ask us.

\*Form 8825 is used to report rental income and expenses for a corporation or partnership with rental property.