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May. 11, 2014

[This is the second in a series of articles on tax-saving opportunities for individual and business clients during the summer months.]

If a client owns a "vacation home" in a resort area – say, a seaside cottage or a mountaintop cabin – the family may enjoy getaways there during the summer months. But when the kids grow up and the trip becomes a hassle, the place may lie dormant for much of the season. It could be time for the client to turn their summer retreat into a rich source of rental income.

Best of all, a vacation home can become a valuable tax shelter, even providing the owners with a tax loss some years. However, you must carefully navigate the tricky tax rules in this area to capture the maximum benefits. Your clients, especially those who are new to the rental game, will be looking to you for guidance.

Start with the basic premise that a taxpayer can generally deduct mortgage interest on a second home, plus property taxes, within certain limits. In addition, you're allowed to write off other costs of being a landlord – such as repairs, insurance and a depreciation allowance – based on the percentage the home is used for rental activities. For instance, if the home is rented out for 90% of the year, 90% of those expenses are deductible. The other 10% are personal expenses subject to other restrictions on Schedule A.

So far, so good. But things get a lot more complicated if you show a loss for the year. Generally, losses from passive activities like rental real estate are limited to the amount of annual passive activity income, although a special exception provides

2. For a MAGI of $150,000 or more, you don't qualify for the $25,000 loss offset. In this case, your total rental deductions can't exceed your rental income, regardless of the amount of your personal use. However, if your personal use exceeds the greater of 14 days or 10%, you can claim the portion of your mortgage interest not allowed as a rental expense deduction.

3. For a MAGI between $100,000 and $150,000, the $25,000 loss write-off is gradually phased out. The closer you get to the $150,000 threshold, the smaller the write-off. Thus, you might actually increase your personal use to deduct more mortgage interest. Conversely, if you're close to the $100,000 threshold, try to keep your personal use below the 14-day/10% mark.

Finally, consider this unique tax break: If f you rent out the home for no more than two weeks during the year, you don't have to report any income or expenses on your tax return. Therefore, all of the income is tax-free, although you can't claim any deductions. This may be the best summertime solution of all for some vacation home owners just dipping their toes in the water.

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