# Top Ten Tax Deductions for Landlords

**You may be paying too much in taxes on your rental income.**
Every year many landlords pay more taxes on their rental income than they have to. Joa Realty is here to not only assist in capitalizing on your investment, but make you aware of your available tax deductions as a landlord.

Real estate provides more tax benefits than almost any other investment. These benefits sometimes make the difference between losing money and earning a profit on a rental property.

Here are the top ten tax deductions for owners of residential rental property:

**1. Interest.** Interest is often a landlord's single biggest deductible expense. Examples of interest that landlords can deduct include mortgage interest payments on loans used to acquire or improve rental property, and interest on credit cards for goods or services used in rental activity.

**2. Depreciation.** The actual cost of a rental property is not fully deductible in the year which you pay for it. Instead, landlords get back the cost of real estate through depreciation. Residential rental property must be depreciated over 27.5 years.

**3. Repairs.** The costs of repairs to rental property are fully deductible in the year in which they are incurred. Some examples of deductible repairs include repainting, fixing gutters or floors, fixing leaks, plastering, and replacing broken windows.

**4. Local travel.** Landlords are entitled to a tax deduction whenever they drive anywhere for their rental activity. You have two options for deducting your vehicle expenses:
(a) you can deduct your actual expenses (gasoline, upkeep, repairs) or
(b) you can use the standard mileage rate—use the standard mileage rate (55 cents per mile for 2009; 58.5 cents per mile for July 1, 2008 through December 31, 2008 and 50.5 cents per mile from January 1, 2008 through June 30, 2008). To qualify for the standard mileage rate, you must use the standard mileage method the first year you use a car for your business activity. Moreover, you can't use the standard mileage rate if you have claimed accelerated depreciation deductions in prior years, or have taken a Section 179 deduction for the vehicle.

**5. Long distance travel.** If you travel overnight for your rental activity for whatever reason, you can deduct your airfare, hotel bills, meals, and other expenses. To stay within the law and avoid unwanted attention from the IRS, you need to properly document your long distance travel expenses, separating business with pleasure.

**6. Home office.** If certain requirements are met, landlords may deduct their home office expenses from their taxable income. This deduction applies not only to space devoted to office work, but also to a workshop or any other home workspace you use for your rental business. This is true whether you are a homeowner or a renter.

**7. Employees and independent contractors.** Whenever you hire anyone to perform services for your rental business, you can deduct their wages as a rental business expense, whether the worker is an employee or an independent contractor.

**8. Casualty and theft losses.** If your rental property is damaged or destroyed from a fire or flood, you may be able to obtain a tax deduction for all or part of your loss. These types of losses are called "casualty" losses. How much you may deduct depends on how much of your property was destroyed and whether the loss was covered by insurance.

**9. Insurance.** Insurance premiums may be deducted for almost any rental property. This includes fire, theft, and flood insurance, as well as landlord liability insurance. If you have employees, you can deduct the cost of their health and worker's compensation insurance.

**10. Legal and professional services.** Lastly, you can deduct fees that you pay to attorney's accountants, property management companies, and real estate advisors. You can deduct these fees as operating expenses as long as the fees are paid for work related to your rental property.

**Points to Keep in Mind:**

• Landlords can greatly increase the depreciation deductions they receive the first few years they own rental property by using "segmented" depreciation.
• Careful planning can permit you to deduct, in a single year, the cost of improvements to rental property that you would otherwise have to deduct over many years.
• You can rent out a vacation home tax-free in some cases.
• Most small landlords can deduct up to $25,000 in rental property losses each year.
• A special tax rule permits some landlords to deduct 100% of their rental property losses every year, no matter how much.
• People who rent property to their family or friends can lose virtually all of their tax deductions.