

INCOME TAX DEDUCTIONS & RENTAL REAL ESTATE

HOW DOES IT WORK?


THE HOUSE TEAM

EDUCATION SERIES

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Real estate investors can deduct expenses associated with their rental properties when filing their income taxes.

SOME OF THE MOST SIGNIFICANT EXPENSES INCLUDE:

The IRS typically allows a real estate investor to deduct the above referenced expenses from the rental income they receive on the property for tax purposes. In many cases, deductible expenses such as depreciation result in a lowered taxable income or even a "loss" which reduces an investors overall income tax liability.

Many real estate investors file and claim rental property income and expenses on a "Schedule E" (see below for sample).

- Advertising
- Cleaning Maintenance
- Insurance
- Legal/Other Professional Fees
- Management Fees
- Mortgage Interest
- Repairs
- Taxes
- Utilities
- Depreciation

EXAMPLE

ASSUME A REAL ESTATE INVESTOR RECEIVES **\$12,000** IN A YEAR IN INCOME ON A RENTAL PROPERTY.

- A** Without deducting any expenses, the investor would owe income tax the **\$12,000** in rental income.
- B** When deducting expenses (assume **\$14,000** in total expenses) the investor would instead show a loss of **-\$2,000** thus reducing their overall tax liability.

*Please consult with your tax professional for specific tax advice and guidance. The information on this document is a general outline and may differ from individual to individual.



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