with Andy Panko, CFP®, RICP®, EA



Start Here Do you rent out your property more than 14 days per year? Yes No It is considered a Personal-Use Property. You do not need to report any rental income on your tax return. No rental expense deductions are allowed. Itemized deductions may be allowed, if applicable.

Any unused deductions may be carried forward indefinitely as suspended to offset other passive activity income in future tax years. No losses against allowed for this tax year.

If there's still time left in the year, you may be able to change the classification of your property. Renting it out more (and reducing personal use) may enable you to deduct more expenses against your rental property.

Does your personal use in the property exceed the greater of: (1) 14 days or (2) 10% of the days you rent out your property at fair market rates? No Yes

> It is considered a Mixed-Use Property.

Report all rental income on the appropriate schedule of your tax return. **Qualified rental expense** deductions and itemized deductions (if applicable) must be allocated proportionally between rental vs. personal use.

Do you have any unused rental expense deductions in the current tax year or suspended Passive Activity Losses (PALs) from prior tax years?

Yes

losses that may be used Allowance phases out

Do you spend more than Do you successfully meet 750 hours per year working the "Material Participation" in real estate activities, and criteria and "Real Estate are those hours greater Professional" (REP) status as than 50% of all hours (at all defined for tax purposes? jobs) you work in a year?

Do you have any unused rental expense deductions in the current tax year or suspended Passive Activity Losses (PALs) from prior tax years?

Yes

Yes

No

No

Any positive net rental income will be taxed as ordinary income for the current tax year. The additional 3.8% net investment income tax (NIIT) may apply. A QBI deduction may also apply, depending on your situation.

You may be allowed a special allowance of up to \$25,000 (if MAGI is below \$100,000) of passive activity to offset ordinary income. of \$100,000 to \$150,000.

Yes

It is considered a Rental Property (Passive Activity).

No

Report all rental income and qualified rental expenses on the appropriate schedule of your tax return.

Do you successfully meet the "Active Participation" test as defined for tax purposes (own at least 10% of the property and make management decisions)?

Yes

Yes

No Is your MAGI under \$150,000?

No

It is considered a **Rental Property** (Non-Passive Activity).

Report all rental income and qualified rental expenses on the appropriate schedule of your tax return.

Positive net rental income s taxed as ordinary income. but is not subject to the 3.8% NIIT. A QBI deduction may apply, depending on any losses resulting from be used to offset ordinary income on your tax return.

No losses are allowed this tax year. Unused deductions may be carried forward indefinitely as suspended Passive Activity Losses (PALs). Consider employing AGI/MAGI reduction techniques if it makes sense for your financial situation.

No

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