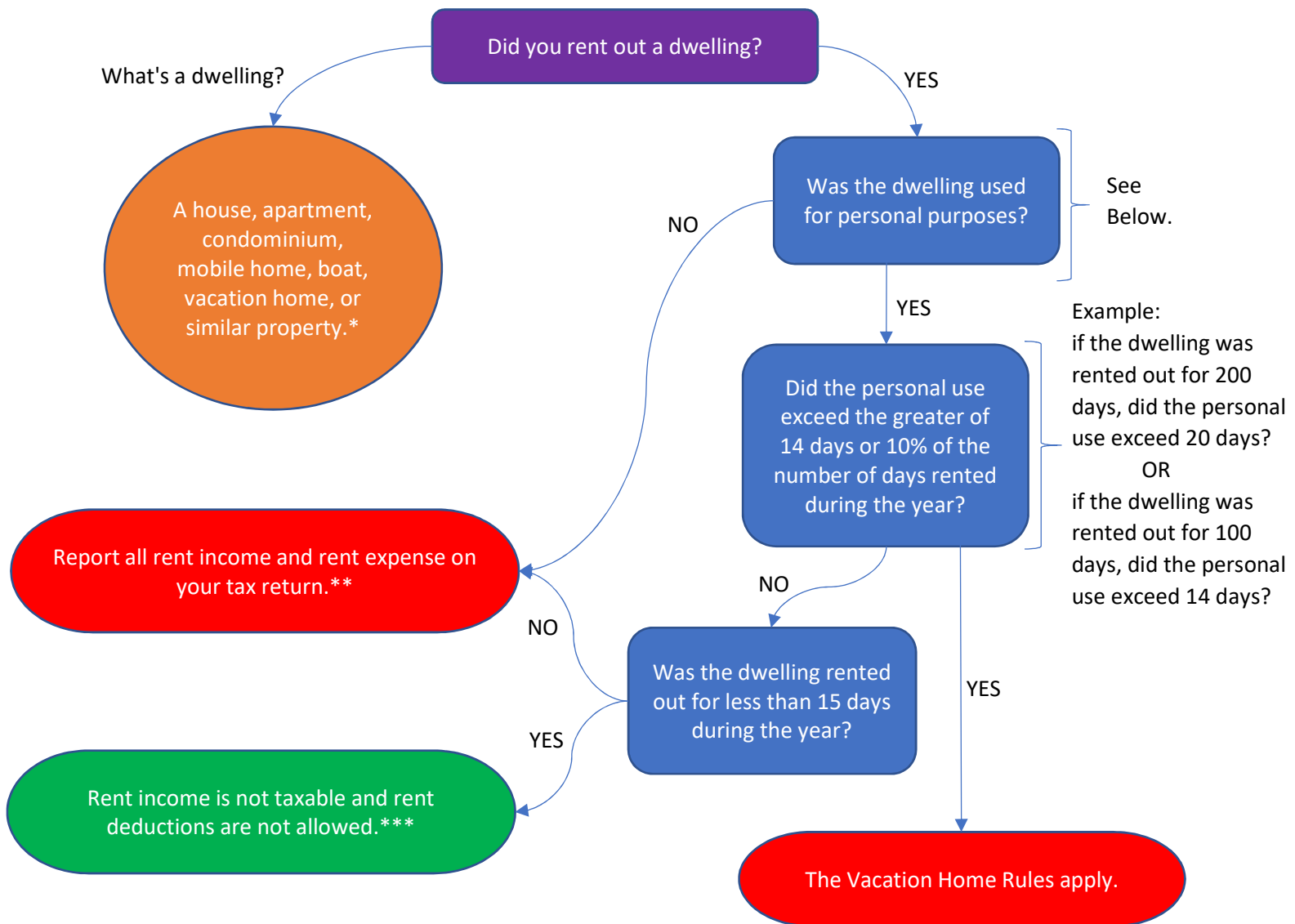


DECISION TREE

DO THE VACATION HOME RULES APPLY TO MY SHORT-TERM RENTAL?



Personal use includes use by family members (unless family members pay rent at fair market value).
 Personal use does not include days spent working substantially full time on repairs or maintenance.
 Personal use includes any day the dwelling is rented out for less than fair market value.

* The dwelling must include basic living accommodations such as a sleeping space, toilet, and cooking facilities.

** Note: losses from residential rental activities are generally subject to the passive activity rules.

(See Decision Tree: "Is My Short-term Rental a Passive or Nonpassive Activity?")

*** Beware: services (such as guided tours and hotel-like services) may cause income to be subject to tax regardless if the dwelling was rented out for less than 15 days during the year.

What are the Vacation Home Rules? When a dwelling is used personally and is also rented out, expenses must be allocated between personal and rental use plus square footage of the portion of the dwelling that is rented out. Additionally, expenses cannot reduce gross rental income below zero.