

Top 10 Deductions for Landlords

- 1. Interest.** Interest is often a landlord's single biggest deductible expense. Common 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 a rental activity.
- 2. Depreciation.** The actual cost of a house, apartment building, or other rental property is not fully deductible in the year in which you pay for it. Instead, landlords get back the cost of real estate through depreciation.
- 3. Repairs.** The cost of repairs to rental properties is fully deductible in the year in which they are incurred.
- 4. Local travel.** Landlords are entitled to a tax deduction whenever they drive anywhere for their rental activity. For example, when you drive to your rental building to deal with a tenant complaint or go to the hardware store to purchase a part for a repair, you can deduct your travel expenses.
- 5. Long distance travel.** If you travel overnight for your rental activity, you can deduct your airfare, hotel bills, meals, and other expenses. If you plan your trip carefully, you can even mix landlord business with pleasure and still take a deduction. To stay within the law you need to properly document your long distance travel expenses.
- 6. Home office.** Provided they meet certain minimal requirements, 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 own your home or apartment or are a renter.
- 7. Employees and independent contractors.** Whenever you hire anyone to perform services for your rental activity, you can deduct their wages as a rental business expense. This is so whether the worker is an employee (for example, a resident manager) or an independent contractor (for example, a repair person).
- 8. Casualty and theft losses.** If your rental property is damaged or destroyed from a sudden event like 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. You usually won't be able to deduct the entire cost of property damaged or destroyed by a casualty.
- 9. Insurance.** You can deduct the premiums you pay for almost any insurance for your rental activity. This includes fire, theft, and flood insurance for rental property, as well as landlord liability insurance. And if you have employees, you can deduct the cost of their health and workers' compensation insurance.
- 10. Legal and professional services.** You can deduct fees that you pay to attorneys, accountants, property management companies, real estate investment advisors, and other professionals.