## 2024 · IS MY RENTAL PROPERTY TAX DEDUCTIBLE?





## Start Here

Do you rent out Does your personal use Do you spend more than Do you successfully meet It is considered a your property more than in the property exceed the 750 hours per year working the "Material Participation" **Rental Property** 14 days per year? greater of: (1) 14 days in real estate activities, and criteria and "Real Estate (Non-Passive Activity). or (2) 10% of the days you are those hours greater Professional" (REP) status as rent out your property than 50% of all hours (at all defined for tax purposes? at fair market rates? jobs) you work in a year? Report all rental income Yes No and qualified rental expenses on the No Yes No Yes appropriate schedule No Yes It is considered a of your tax return. Personal-Use Property. Do you have any unused It is considered a It is considered a Rental rental expense deductions Property (Passive Activity). Mixed-Use Property. Positive net rental income You do not need to report in the current tax year is taxed as ordinary income, any rental income on your or suspended Passive but is not subject to the tax return. No rental expense Activity Losses (PALs) from 3.8% NIIT. A QBI deduction Report all rental income Report all rental income deductions are allowed. prior tax years? may apply, depending on on the appropriate Itemized deductions may be and qualified rental your situation. Conversely, schedule of your tax return. allowed, if applicable. expenses on the any losses resulting from **Qualified rental expense** appropriate schedule of your rental properties may deductions and itemized No Yes your tax return. be used to offset ordinary deductions (if applicable) Any unused deductions income on your tax return. must be allocated may be carried forward proportionally between Any positive net rental indefinitely as suspended Do you successfully meet rental vs. personal use. income will be taxed as the "Active Participation" Passive Activity Losses ordinary income for the No losses are allowed (PALs), and can be used test as defined for tax current tax year. The this tax year. Unused to offset other passive purposes (own at least 10% additional 3.8% net deductions may be carried Do you have any unused of the property and make activity income in future tax investment income tax (NIIT) forward indefinitely as rental expense deductions management decisions)? years. No losses against may apply. A QBI deduction suspended Passive Activity in the current tax year ordinary income are may also apply, depending Losses (PALs). Consider or suspended Passive allowed for this tax year. on your situation. employing AGI/MAGI Activity Losses (PALs) from Yes No reduction techniques if it prior tax years? makes sense for your You may be allowed a If there's still time left in the financial situation. special allowance of up to year, you may be able to Is your MAGI under Yes No \$25,000 (if MAGI is below change the classification of \$150,000? your property. Renting it out \$100,000) of passive activity more (and reducing personal losses that may be used use) may enable you to to offset ordinary income. Yes No deduct more expenses Allowance phases out against your rental property. between the MAGI range of \$100,000 to \$150,000.