MAXIMIZE TAX BREAKS FOR YOUR VACATION HOME

Are you making summer plans for visiting your vacation home? If so, do you have to schedule your stay around dates reserved by paying guests? When you use your vacation home personally and also rent it during the year, you may need to be aware of special tax rules. But there's a benefit to knowing the rules – you can maximize tax breaks on your federal income tax return.

Here are two very broad guidelines to keep in mind.

1. When you rent your home for 14 days or less during the year, all of the income you receive is tax-free. That's true no matter how much you charge. You're not even required to report the rent.

What's the downside? Because you're not claiming the income, any expenses you incur that are related to the rental under this exception are generally not deductible. However, you can still claim your mortgage interest and property taxes if you itemize.

2. If you rent your vacation home for more than 14 days, all of your rental income is reportable. You'll have to divide your expenses between your personal use and those of the rental. The portion of your expenses related to your personal use, such as mortgage interest and property taxes, are deductible as long as you itemize. You deduct the rental expenses against the rental income. Just remember you generally can't claim a loss on your current year tax return when the expenses exceed the income. Instead, you may be able to carry the excess to future years.

If you rent your vacation home when you're not using it, please contact us to discuss the tax rules. We'll help you set up a recordkeeping system to track your time and expenses so you get the best possible benefit.