

USE IT AS Example In RENT & PERSONAL USE of Principal Residence

Sch E - Real Estate Rental Mixed-Use Property Worksheet, AIRBNB, VRBO, Example 6

- (1) Sole Owner
- (2) Name: John J Stuart
- (3) SS 108-99-4444
- (4) Jimmy has a house and he is living in it
- (5) (No Federal Employer ID Number)
- (6) Jimmy has decided to put his house for temporary rent through one of the following companies in 2019, (AIRBNB, VRBO, HomeAway) to rent a room in his house. The entire house has 2,500 square feet of living space, the room rented has 250 square feet. **10% of the house**

Your Income for Rent: (6) Jimmy received a 1099-K form with a total income of \$7,500 from IIRBNB and had received \$ 2,500 cash. The room was rented 292 days during the year.
292 days rented / 365 days available = 80%

Your Expenses include:

- A. ACCOUNTING. He hired TUCKER CPA to file his personal Tax Return in 2018, paying \$ 400.
- B. CELLPHONE: Monthly payment of \$ 60 or \$ 720 for the year.
- C. UTILITIES SERVICES. TV-Internet \$720 annual, Water, Energy & Gas \$1,300 per year.
- D. REPAIR AND MAINTENANCE. He paid \$ 300 to fix 1 window, \$ 300 to fix the garage door and paid \$ 1,500 for painting. Total expense of \$ 2,100
- E. MORTGAGE INTEREST & PROPERTY TAX: He paid \$ 9,500 for Property Tax for the current year and received a 1098 form from the Bank of America for Mortgage Interest for \$9,800
- F. AIRBNB, VRBO, HomeAway: They charge \$ 1,500 for rent fees in 2019.
- G. Property Insurance Payment \$ 1,200
- J. *Depreciation. TBD (Property - Depreciation Expenses). Taking according with the HUD-1 form or "Closing Statement"

Comments:

Deductions for mixed-use rental property are taken in the following order.

- 1) Mortgage interest and real estate taxes.
- 2) Rental expenses, such as the rental portion of utilities and maintenance expense.
- 3) Expenses that result in a basis adjustment, such as depreciation*.

John can deduct:

10% of any expense that must be divided between rental use and personal use, divided again by the percentage of time the room was available for rent during the year (80%).

Rent Income	10,000			
Expenses:	Amount		Factor	Allowable Deductible Expenses
Mortgage Interest	9,800	x	(10% x 80%)	784
Property Tax	9,500	x	(10% x 80%)	760
Cellphone	720	x	(10% x 80%)	57
Utilities	2,020	x	(10% x 80%)	162
Repair & Maintenance	2,100	x	(10% x 80%)	168
Insurance	1,200	x	(10% x 80%)	96
Accounting (Total)	400			400
AIRBNB Fees (Total)	1,500			<u>1,500</u>
				Total 3,927

*Depreciation TBD (To be Determined)

NOTE: A loss cannot be reported on the tax return. Expenses limited by this provision are carried over to future years