Integro CPA

Rental Property Tax Best Practices

Maximize Deductions. Minimize Surprises.

Owning rental property can create significant tax benefits but only if good records and planning are in place. Follow these best practices throughout the year.

Keep Rental and Personal Expenses Separate

- Use a dedicated bank account and credit card for each property or rental business.
- Never pay personal expenses from the rental account.
- Maintain clear documentation for every expense.

Track Every Deductible Expense

- Mortgage interest
- Property taxes
- Insurance
- Repairs and maintenance
- Utilities paid by the owner
- HOA dues
- Landscaping and snow removal
- Cleaning and supplies
- Advertising and leasing costs
- Property management fees
- Professional fees (CPA, attorney)
- Travel related to managing the property (when allowable)

Tip: Save receipts and invoices electronically.

Know the Difference: Repairs vs. Improvements

- Repairs: Fix or maintain existing property and are usually deductible in the current year (e.g., fixing plumbing leaks, replacing broken window glass, painting one room).
- Improvements: Add value or extend useful life and generally must be depreciated (e.g., new roof, HVAC replacement, kitchen remodel, room addition).

Document Major Repairs

- Take before-and-after photos.
- Keep contractor invoices.
- Save permits and inspection records.

- Note why the work was performed.

Track Rental Days and Personal Use

- Maintain records of rental periods, vacancy periods, personal use, and maintenance days.

Keep a Mileage Log

- Record the date, destination, business purpose, and miles driven for trips to inspect the property, meet contractors, purchase supplies, or meet with property managers.

Plan for Capital Improvements

- Discuss large projects with your CPA before construction begins to evaluate bonus depreciation, cost segregation opportunities, and other tax strategies.

Review Your Depreciation Annually

- Ensure the building, appliances, flooring, landscaping, fencing, and capital improvements are properly depreciated.

Good Records = Lower Taxes

- The best tax strategy starts with organized bookkeeping and proactive planning not scrambling at tax time.