

Oh, this weather is getting to me. I want the sun from Spring and the warmth of Summer. Don't ya'll? Well, enough of day dreaming and counting down the days.

This week, I want to talk about rental income and expenses. There are certain things to assume here, the first is that I am talking about an individual with one or more rental units, being a house or apartments, and that the individual is actively taking care of the property- renting it out, making decisions about it and collecting rents.

So, income is easy, right? It's the rent, of course; but did you realize that if a tenant does work for you and deducts it from their rent, its income? Same for if they pay for repairs or maintenance. If a tenant moves early and there is a cancellation fee or you keep some or all of the security deposit, it is now income.

Expenses are relatively easy as well; the mortgage interest and real estate taxes, the insurance and utilities. Those are all pretty straight forward. Then this is where it becomes a little harder: what is a repair and what is an improvement?

Repairs are good because you deduct those in the year that you spent the cash. Improvements are ok, but they are depreciated over the length of the property. Repairs are painting; replacing broken windows; fixing leaky faucets; carpet cleaning and things along those lines.

Improvements are roofing, a new HVAC system, new driveway, moving walls, and new window, and yes, new carpeting.

Appliances? That's a good shade of grey. Really they are supposed to be depreciated. Ask your tax pro what they think.

If you are buying a house and have the idea to rent it out, you may deduct the depreciation and then the expenses only AFTER it is tenant ready and the sign goes up. If you can't live there, don't take the expenses.

One last fun expense. Mileage. I love that. Keep track of your mileage for running back and forth to the hardware store, to the apartment/house, or any other thing that you do for the apartment/house.

Don't forget to email me with your questions. Season is underway, and I hear computers getting ready to fire up. kristhetaxlady@gmail.com

Next week: college expenses and credits