



**ALSTON TAX & ACCOUNTING**  
CONSULTANTS, LLC

# AIRBNB & HOME SHARING

## TAX TOOLKIT & CHECKLIST





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## Introduction

It is common practice to purchase work-related items and pay for them yourself as an AirBnb and Home Sharing business owner. Out-of-pocket expenses are often valid tax deductions and claimable on your tax returns.

## Common Tax Deductions

The items below are typically classified as tax deductions for your AirBnb and Home Sharing business. Remember to keep documentation and receipts for any expenses you claim.

- **Necessary and ordinary expenses:**
  - Necessary expenses are appropriate, such as taxes, interest, advertising, utilities, maintenance, and insurance.
  - Ordinary expenses are common and accepted in the business, such as depreciation and operating expenses.
  - If you include expenses paid by a tenant, the fair market value of the property, or services given by a tenant in your rental income, then normally you can deduct that same amount as a rental expense.
- **Improvements**
  - As an AirBnb and Home Sharing business owner, you can not deduct the cost of improvements to better, restore, or change the property to a different use. You recover the cost of improvements through depreciation. Report depreciation beginning in the year you first place the rental property in service and beginning in any year you make an improvement or add furnishings. Only a percentage of these expenses can be deducted in the year that you incur them.

- **Depreciation**

- The general recovery period for residential rental property is 27.5 years. The Tax Cuts and Jobs Act changed the alternative depreciation system recovery period for residential rental property from 40 years to 30 years. Under the new law, a real property trade or business electing out of the interest deduction limit must use the alternative depreciation system to depreciate any of its residential rental property. These changes apply to taxable years beginning after December 31, 2017.

- **Insurance Premiums Paid in Advance**

- If you pay an insurance premium for more than one year in advance, you can't deduct the total premium in the year you pay it. For each year of coverage, you can deduct only the part of the premium payment that applies to that year.

- **Interest Expense**

- You can deduct mortgage interest you pay on your rental property. When you refinance a rental property for more than the previous outstanding balance, the portion of the interest allocable to loan proceeds not related to rental use generally can't be deducted as a rental expense.

- **Expenses Paid to Obtain a Mortgage**

- Certain expenses you pay to obtain a mortgage on your rental property can not be deducted as interest. These expenses (which include mortgage commissions, abstract fees, and recording fees) are capital expenses that are part of your basis in the property.

- **Travel Expenses**

- You can deduct the necessary and ordinary expenses of traveling away from home if the purpose of the trip is to collect rental income or to manage, conserve, or maintain your rental property. You must properly allocate your expenses between rental and non-rental activities. If the purpose of traveling away from home is to improve the property, then you cannot deduct the cost. The cost of improvements is recovered by taking depreciation.

## **Maintaining Good Records**

Actively maintaining good records help monitor your business' progress, prepare financial statements, identify sources of income, keep track of deductible expenses, keep track of your basis in property, and prepare tax returns. The following are some suggestions to help you stay organized through the year:

- Choose any recordkeeping system suited to your business that clearly shows your income, expenses, deductions, credits, and a summary of your business transactions. The business you are in affects the type of records you need to keep for federal tax purposes. For most small businesses, the business checking account is the main source for entries in the business books.

\*For more on maintaining good records, please refer to the free resource, *5 Record Keeping Tips*, on our website, [www.alstontac.com](http://www.alstontac.com).

# AirBnb and Home Sharing Business Checklist:

To help you organize all the receipts, tax invoices, and supporting documents you'll need to do your tax return

## Income

- Amounts paid to cancel a lease
- Advance rent
- Expenses paid by a tenant
- Security deposit
- Lease with option to buy
- Rental of property also used as your home
- Cash method or accrual method

## Expenses

- Depreciation
- Interest expense
- Expenses paid to obtain a mortgage
- Legal and other professional fees
- Local transportation expenses
- Rental of equipment
- Rental of property
- Travel expenses
- Vacant rental property

## General Work

### Experience

- Travel expenses (flights, taxi, train, and bus fares)
- Accommodation/food costs while working away from home
- Work phone costs
- Work computer/laptop expenses
- Internet costs
- Home office running expenses

## Other Expenses

- Last year's tax return fee
- Income protection insurance premiums
- Rental property expenses (e.g. property management fees, maintenance, water)
- Investment expenses
- Records of sales and purchases of any shares, business, or property
- Details of any government debts
- Charity donation

\*This list is a good starting point, however you may need to keep track of more items for your tax purposes.

For more resources or to schedule a call, please visit [www.alstontac.com](http://www.alstontac.com)