



# Short-Term Rental Taxation Part 1

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**Course #33701A**

**Taxes**

**2 Credit Hours**

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# SHORT-TERM RENTAL TAXATION PART 1

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This course introduces the core tax rules for short-term rental income. It covers how short-term rentals are taxed, identifies situations where rental income may be tax-free, and outlines which expenses qualify as deductible. Designed for property owners and hosts, the course provides a clear foundation for managing short-term rental tax responsibilities.

## LEARNING ASSIGNMENTS AND OBJECTIVES

*As a result of studying each assignment, you should be able to meet the objectives listed below each individual assignment.*

### SUBJECTS

- Intro**
- How Short-Term Rental Hosts Are Taxed**
- Tax-Free Short-Term Rentals**
- Deducting Your Expenses: The Basics**

Study the course materials

Complete the review questions at the end of each chapter

Answer the exam questions 1 to 10

### Objectives:

- To recognize how short-term rentals are taxed
- To identify tax-free situations
- To recognize what qualifies as rental expenses

## NOTICE

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## EXAM OUTLINE

- **TEST FORMAT:** The final exam for this course consists of 10 multiple-choice questions and is based specifically on the information covered in the course materials.
- **ACCESS FINAL EXAM:** Log in to your account and click Take Exam. A copy of the final exam is provided at the end of these course materials for your convenience, however you must submit your answers online to receive credit for the course.
- **LICENSE RENEWAL INFORMATION:** This course qualifies for **2 CPE hours**.
- **PROCESSING:** You will receive the score for your final exam immediately after it is submitted. A score of 70% or better is required to pass.
- **CERTIFICATE OF COMPLETION:** Will be available in your account to view online or print. If you do not pass an exam, it can be retaken free of charge.

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# INTRODUCTION

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This course—broken into 3 parts—is a guide to the income tax issues faced by people who rent out all or part of their homes to short-term guests. We refer to such people as “short-term rental hosts.” The information here applies to rentals arranged through online rental platforms, such as Airbnb, VRBO, FlipKey, and others. It also applies to short-term rentals made through Craigslist or made offline through local advertising, word of mouth, or any other means.

This book provides the tax knowledge rental hosts need, whether they rent out all or part of their main home, vacation home, or any other property they own or rent, like a cottage or separate unit attached to their home. The tax rules for short-term rental hosts are different from those that apply to traditional landlords.

Taxes are complicated enough for traditional landlords, but they can be even more difficult for short-term rental hosts. Online rental platforms provide little or no tax guidance—they’re in the rental business, not the tax advice business. This book provides all the information short-term rental hosts need to minimize their taxes and stay out of trouble with the IRS, including:

- When short-term rentals are tax free
- How to identify, allocate, and maximize short-term rental deductions
- How to do IRS reporting for short-term rentals
- How to deduct short-term rental losses
- How to complete your tax return (IRS Schedule E), and
- How to keep records for short-term rentals.

Minimizing the taxes you pay on your rental income can make your hosting activity far more profitable—indeed, it can spell the difference between making and losing money. The time to start planning to reduce the taxes you’ll need to pay on your short-term rental income is now. You can’t wait until April 15—by then it will be too late to implement most of the tax savings strategies and procedures covered in this book.

## **Important Inflation Adjustments**

### **Social Security Tax Ceiling Limit (Chapter 1)**

2024: \$168,600      2025: \$176,100

### **Standard Mileage Rate (Chapter 4)**

Effective 01.01.2024 - 67 cents per mile

**Effective 01.01.2025 - 70 cents per mile**

## Section 179 Property Deduction Limits (Chapter 6)

2024: \$1,220,000      **2025: \$1,250,000**

## Standard Deduction (Chapter 7)

2024: \$14,600 for singles and \$29,200 for marrieds filing jointly

**2025: \$15,000 for singles and \$30,000 for marrieds filing jointly**

## Pass-Through Deduction Taxable Income Ranges (Chapter 7)

**2024:**

- Up to \$191,950 (\$383,900 if married)
- Between \$191,951 to \$241,950 (\$383,901 to \$483,900 if married), and
- Above \$241,950 (\$483,900 if married)

**2025:**

- Up to \$197,300 (\$394,600 if married)
- Between \$197,301 to \$247,300 (\$394,601 to \$494,600 if married), and
- Above \$247,300 (\$494,600 if married)

# CHAPTER 1: HOW SHORT-TERM RENTAL HOSTS ARE TAXED

This chapter explains the types of taxes short-term rental hosts need to know about, including:

- Income taxes
- Social Security and Medicare taxes
- Net Investment Income tax, and
- Local and state occupancy taxes.

Most short-term rental hosts have to pay income taxes, and some have to pay Social Security and Medicare taxes as well. Although hosts don't have to pay local occupancy taxes themselves, they have to ensure that their guests pay these taxes.

## INCOME TAXES

Short-term rental hosts must be concerned first and foremost with federal income taxes. If you rent your property for 14 days or fewer during the year, you might not have to pay any income tax at all on your rental income. This situation is discussed in detail in Chapter 2. However, if, like most short-term rental hosts, you rent your property more than 14 days, you'll have to pay federal income tax on the net rental income you receive during the year. When you file your yearly tax return, you add your net rental income to your other income for the year, such as salary income from a job, interest on savings, and investment income, and you pay income tax on the total. You'll need to file a separate tax form with your annual tax return (usually IRS Schedule E) to report your short-term rental income and expenses (see course 33703B).

Fortunately, you don't have to pay tax on all the short-term rental income you receive. Instead, you pay tax only on your "net" rental income—this is your total rental income minus your deductible rental property expenses. So, the more deductible expenses you have, the less tax you'll have to pay.

### Example

#### EXAMPLE

Jenna owns a condo in Miami that she rents out 60 days during the year on Airbnb, earning a total of \$6,000 in rental income. Luckily, she doesn't have to pay income tax on the entire \$6,000. She gets to deduct the expenses she incurred renting out her condo, such as Airbnb fees, utilities, supplies, repairs, and depreciation of her condo. These expenses amount to \$2,000. She has to pay income tax only on her \$4,000 in net short-term rental income. She files IRS Schedule E with her tax return to report her rental income and expenses. She adds her \$4,000 net short-term rental income to her other income for the year and pays income tax on the total.