PacificCPE

COURSE
33704C

Short-Term Rentals: 1099 Filing, Loss Deductions, and Recordkeeping

Rounding out the short-term rental taxation series, this course tackles the compliance and documentation side of the equation. Learn when short-term rental hosts are required to file Form 1099 information returns, how to handle rental loss deductions including passive activity rules and exceptions, and what recordkeeping practices clients should follow to support their returns. These are practical, client-facing topics that can help you reduce audit risk and keep your clients organized year-round.

CREDIT HOURS 2 | FIELD OF STUDY TAXES | EXAM QUESTIONS 10

Start Course ↓ | Final Exam Copy ↓

LEARNING ASSIGNMENTS AND OBJECTIVES

Assignment

- Study the full course materials included here.
- Complete the review questions after each chapter.
- Answer 10 final exam questions.
- Final exam is scored immediately, 70% or better passes.
- Certificate of completion is available in your account.
- Failed exams can be retaken free of charge.

Course Objectives

- Recognize how to file a Form 1099-NEC.
- Identify how to handle deduction on multiple properties.
- Recognize how to track income and expenses.

Copyright Notice

© 2026 Pacific CPE, LP. All rights reserved.

The materials in this course — including the text, illustrations, exhibits, examples, exam questions, and review questions — are the copyrighted property of Pacific CPE, LP. No portion of this course may be reproduced, stored in a retrieval system, distributed, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording, or otherwise) without the prior written permission of Pacific CPE, LP, except for the personal, non-commercial use of the registered learner.

Pacific CPE, LP grants the registered learner a single-seat, non-transferable license to access this course for the purpose of completing the associated continuing professional education credit. Account credentials may not be shared. Group access requires a separate enterprise license.

This course is provided "as is" for educational purposes. While Pacific CPE, LP makes a reasonable effort to ensure the content is current and accurate, the materials should not be relied upon as a substitute for professional advice. Pacific CPE, LP disclaims all liability for any error, omission, or loss arising from the use of, or reliance on, the course content.

Questions about reproduction, licensing, or use of these materials should be directed to support@pacificcpe.com.

Publication Date: April 2026

TABLE OF CONTENTS

CHAPTER 01

Filing IRS Form 1099 Information Returns 5

1.01 When Someone Else Reports Your Rental Income To The IRS 5

1.02 Form 1099-K 6

1.03 Form 1099-Nec 9

1.04 Backup Withholding For Independent Contractors 11

CHAPTER 02

Deducting Losses For Short-Term Rentals 12

2.01 What Are Rental Losses? 12

2.02 Which Rental Loss Rules Apply 13

2.03 Vacation Home Rules 14

2.04 Hotel Business Rules 20

2.05 Regular Rental Activity Rules 24

2.06 Annual Loss Limits 26

Test Your Knowledge 28

CHAPTER 03

Recordkeeping 33

3.01 What Records Do You Need? 33

3.02 Tracking Income And Expenses 35

3.03 Supporting Documents For Your Expenses 37

3.04 Property Usage Record 44

Test Your Knowledge 45

Final Exam Copy 63
Glossary 50
Index .....

Chapter 1: FILING IRS FORM 1099 INFORMATION RETURNS

Chapter Objective

After completing this course, you should be able to:

- Recognize how to file a Form 1099-NEC.
- Identify how to handle deduction on multiple properties.
- Recognize how to track income and expenses.

This chapter explains when others report short-term rental hosts' rental income to the IRS. It also details when hosts themselves must file forms with the IRS to report payments they make to others in the course of their rental activity. These IRS Form 1099 filings are known as "information returns" because they provide information to the IRS on payments made to others. These tax filings help the IRS verify that the people receiving the payments reported on the Form 1099s report that same income on their own tax returns.

WHEN SOMEONE ELSE REPORTS YOUR RENTAL INCOME TO THE IRS

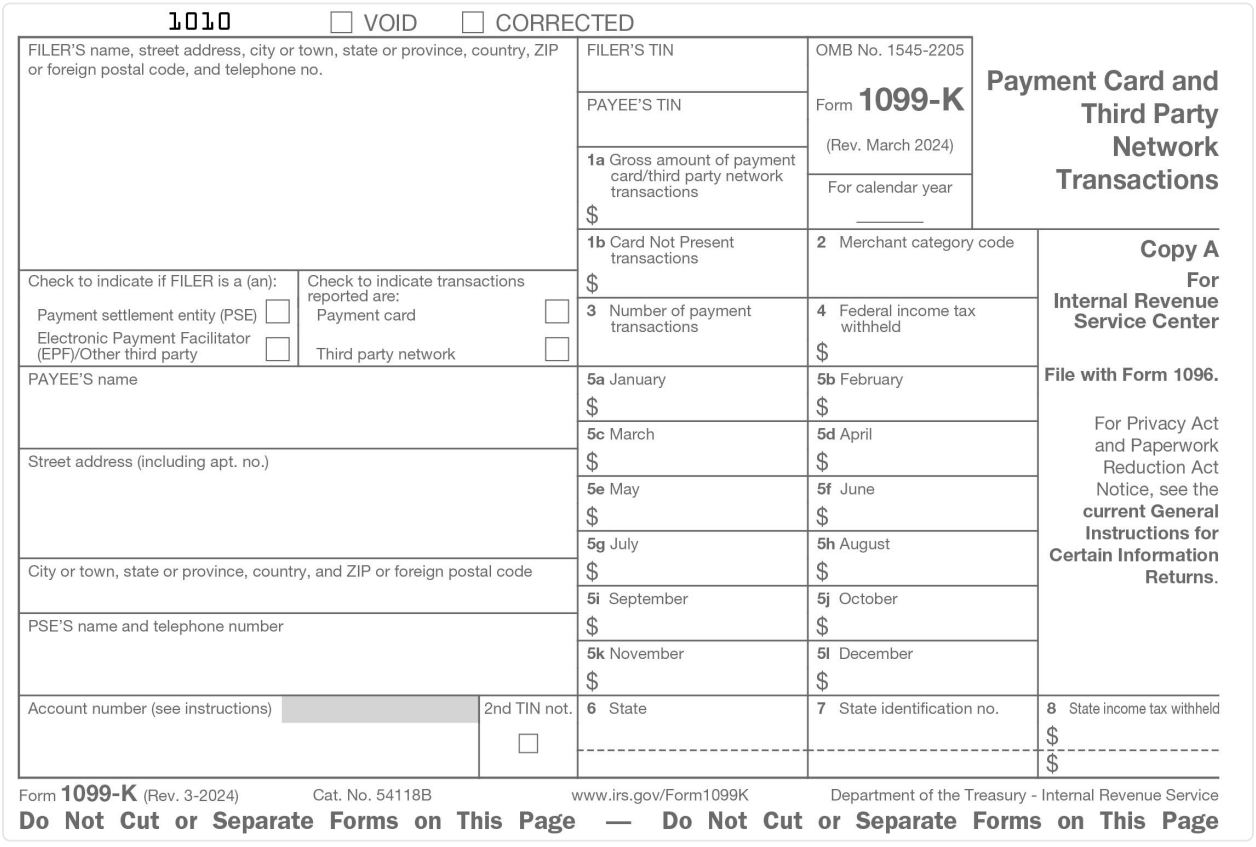
Traditional long-term residential landlords are often paid rent by check or cash. These rental payments are rarely reported to the IRS (except when collected by a property management company). This is not the case, however, for short-term rental hosts. Hosts who list their rentals through short-term rental platforms like Airbnb usually get paid electronically, not by check or cash. The companies that process these payments must report them to the IRS if they exceed a certain dollar amount. It's important to remember, however, that even if your short-term rental income isn't reported to the IRS, you're still required to report it on your tax return. The only exception is if your rental activity is tax-free. If you're audited, the IRS can get your payment records from a credit card company, Airbnb, or any other platform.

Electronic payments reported on Form 1099-K. Payment processors like PayPal, Airbnb, and other platforms must report payments to hosts by filing IRS Form 1099-K, Payment Card and Third Party Network Transactions. The processing company sends copies of the form to the host, the IRS, and the host's state tax department. The deadline for filing with the host is January 31 of the year following the year the

payments were made. (The form is filed with the IRS and the states by February 28, or March 31 if filed electronically.)

Thresholds for filing Form 1099-K. Form 1099-K must be filed only if a host's payments exceed a threshold amount. For the 2025 tax year, Form 1099-K must be filed if a host is paid more than $20,000 during the year. These forms will be filed in January 2026. For the 2026 tax year, Form 1099-K must be filed if a host is paid more than $20,000. These 1099-K forms will be filed in January 2027. For tax years after 2026, Form 1099-K must be filed if a host is paid more than $20,000. These 1099-K forms will be filed every January thereafter.

FORM 1099-K



1010 ☐ VOID ☐ CORRECTED

FILER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.	FILER'S TIN	OMB No. 1545-2205	Payment Card and Third Party Network Transactions
	PAYEE'S TIN	Form 1099-K (Rev. March 2024)	
	1a Gross amount of payment card/third party network transactions $	For calendar year	

Check to indicate if FILER is a (an):	Check to indicate transactions reported are:	1b Card Not Present transactions $	2 Merchant category code	Copy A For Internal Revenue Service Center
Payment settlement entity (PSE) ☐	Payment card ☐	3 Number of payment transactions	4 Federal income tax withheld $	File with Form 1096.
Electronic Payment Facilitator (EPF)/Other third party ☐	Third party network ☐			For Privacy Act and Paperwork Reduction Act Notice, see the current General Instructions for Certain Information Returns.

PAYEE'S name	5a January $	5b February $
Street address (including apt. no.)	5c March $	5d April $
	5e May $	5f June $
City or town, state or province, country, and ZIP or foreign postal code	5g July $	5h August $
PSE'S name and telephone number	5i September $	5j October $
	5k November $	5l December $

Account number (see instructions)	2nd TIN not. ☐	6 State	7 State identification no.	8 State income tax withheld $ $

Form 1099-K (Rev. 3-2024) Cat. No. 54118B www.irs.gov/Form1099K Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

FORM 1099-K Form 1099-K Filing Thresholds		
Tax Year	**Dollar Threshold**	**Transaction Threshold**
2023	>$20,000	>200
2024	>$5,000	None
2025	>$2,500	None
2026 and later	>$20,000	None

Form 1099-K contents. Form 1099-K lists the total amount of money the credit card company,Airbnb, or another rental platform processed for you during the year, not the net amount you actually received. For example, no deductions for host fees, commissions, refunds, or disputed credit card charges are shown. You must list the total amount shown in Box 1a of your 1099-K as rental income on the appropriate tax form (Schedule E or C) and then deduct hosting fees and other expenses to arrive at your net taxable rental income. So, it's vital to keep accurate and complete records of your expenses.

REPORTING PAYMENTS YOU MAKE TO ICs AND OTHER WORKERS

If you hire people like cleaners, gardeners, or repair people to help you with your rental activity and pay them $2,000 or more during the year 2026, you should be sure to report the payments to the IRS on IRS Form 1099-NEC.

There are two important reasons to do so: First, failure to do this can result in monetary penalties by the IRS. Second, the filing of all required 1099s is an important factor the IRS considers when determining

whether a rental activity is a business. You want your short-term rental activity to qualify as a business because you'll be able to take more deductions, including the pass-through deduction that can reduce the tax due on your rental income by as much as 20%.

Workers Subject to Reporting Requirement

You need to report payments you make only to independent contractors (ICs) you hire to help you with your rental activity. These are people running their own businesses, not your employees. Moreover, you generally don't have to report payments you make to corporations. For example, if you hire a roofer named John James to fix your roof and pay $3,000 to him as an individual, the reporting requirement applies. But if you

hire John James, Inc., to fix your roof and pay $3,000 to his corporation, you don’t have to report the payment.

$2,000 Threshold for Reporting

The 1099 filing requirement applies only if you pay an unincorporated independent contractor $2,000 or more during a year by check, cash, or direct deposit for rental-related services. It makes no difference whether the sum was one payment for a single job or the total of many small payments for multiple jobs.

In calculating whether the payments made to an independent contractor total $2,000 or more during a year, you must include payments you make for parts or materials the independent contractor used in performing the services. For example, if you hire an electrician to rewire your vacation home, and he charges you separately for the electrical wiring and other materials he installs, the cost must be included in the tally.

If payments to contractors include money for work performed for your rental activity and work not for your rental activity, you must prorate the amounts. Only if the prorated amount for your rental activity is $2,000 or more do you need to file a Form 1099-NEC. See Chapter 2 of course 33703D for details on how to prorate such payments.

Example

Jenna pays Arthur $200 per month during the year to provide housecleaning services for her home. Sher entedthehome through Airbnbforatotalo ffourmonths during the year, so she paid Arthur $800 for her short-term rental activity. She is not required to report this amount on Form 1099-NEC.

Exception for Electronic and Credit Card Payments

You don’t have to file a 1099-NEC if you pay an independent contractor:

- Through a third-party settlement organization (TPSO) like PayPal or Payable
- By credit card, or
- By debit card.

This is true even if you paid the independent contractor over $2,000 during the year. The IRS requires TPSOs like PayPal to file Form 1099-K to report electronic payments made to independent contractors. In 2026, Form 1099-K will have to be filed if a contractor is paid more than $20,000 during the year. But filing Form 1099-K isn’t your responsibility.

Not having to file 1099-NEC forms relieves you of a bookkeeping burden. Independent contractors like it too because the IRS knows less about their income. So you'll have to file a 1099-NEC only if you pay more than $2,000 to an independent contractor by check, cash, or direct deposit.

Filing IRS Form 1099-NEC

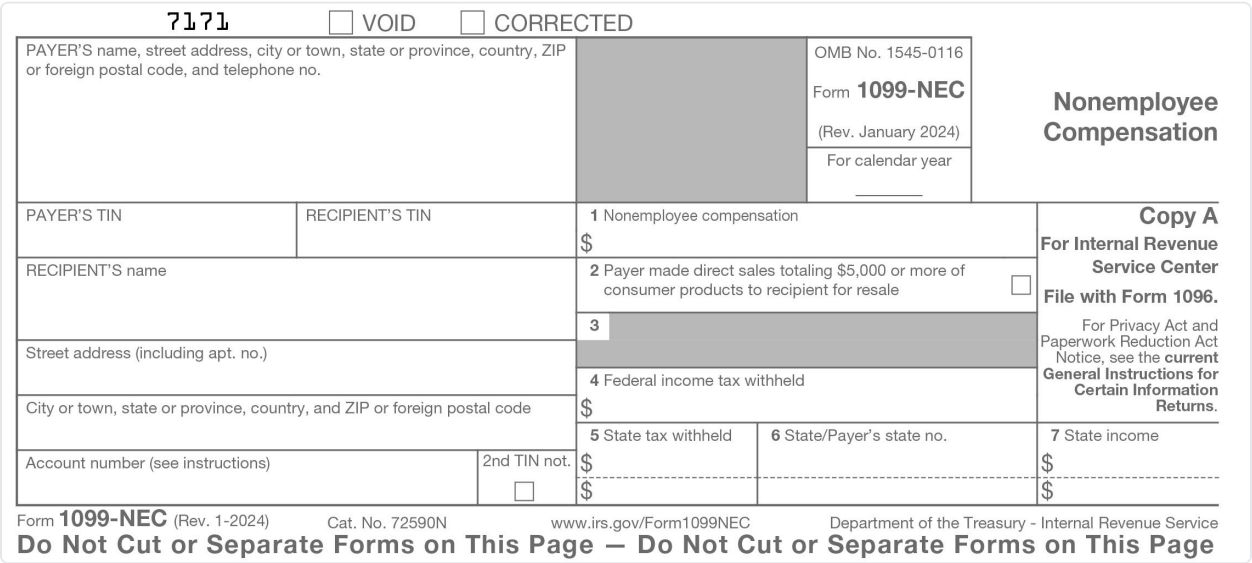
You report your payments by filing IRS Form 1099-NEC with:

- The IRS
- Your state tax department, and
- The independent contractor.

You can have your bookkeeper do this for you. However, it isn't difficult to complete and fill out 1099- NEC forms yourself. One way is to order the official IRS 1099-NEC forms (which are scannable) from the IRS (you can't photocopy or download this multipart form from the IRS website). Go to www.irs.gov/ businesses/online-ordering-for-in formation-returns-and-employer-returns. Fillable PDFs of Copies B, C, 1, and 2 of Form 1099-NEC are available at www.irs.gov/forms-pubs/about-form-1099-nec. You can complete these copies online for furnishing statements to recipients and for retaining in your own files, but you can't file them with the IRS.

You can also use tax preparation or accounting software to prepare your 1099-NECs. Alternatively, you can use inexpensive online services to complete and file the forms.

FORM 1099-NEC


7171 ☐ VOID ☐ CORRECTED

PAYER'S name, street address, city or town, state or province, country, ZIP or foreign postal code, and telephone no.

OMB No. 1545-0116
Form **1099-NEC**
(Rev. January 2024)
For calendar year

Nonemployee Compensation

PAYER'S TIN | RECIPIENT'S TIN

1 Nonemployee compensation $

Copy A
For Internal Revenue Service Center
File with Form 1096.

RECIPIENT'S name

2 Payer made direct sales totaling $5,000 or more of consumer products to recipient for resale ☐

3

Street address (including apt. no.)

4 Federal income tax withheld $

For Privacy Act and Paperwork Reduction Act Notice, see the **current General Instructions for Certain Information Returns.**

City or town, state or province, country, and ZIP or foreign postal code

5 State tax withheld $ | **6** State/Payer's state no. | **7** State income $

Account number (see instructions) | 2nd TIN not. ☐

Form **1099-NEC** (Rev. 1-2024) Cat. No. 72590N www.irs.gov/Form1099NEC Department of the Treasury - Internal Revenue Service

Do Not Cut or Separate Forms on This Page — Do Not Cut or Separate Forms on This Page

Filing Electronically

Starting in 2024, you must file all 1099 forms with the IRS electronically if you file 10 or more returns of any kind. If you file fewer than 10, filing electronically is optional. You must provide a paper copy of the 1099-NEC form to the IC unless that person agrees to accept an electronic 1099-NEC form. You have three options for filing the forms electronically:

- You can use accounting software such as QuickBooks or Xero.
- You can use online 1099-NEC filing services like efilemyforms.com, efile4biz.com, tax1099.com, and efile1099now.com.
- You can electronically file 1099-NEC forms directly with the IRS yourself. The IRS has created an online Information Returns Intake System (IRIS) you can use to e-file Form 1099s without any special software. To use IRIS, you must get a Transmitter Control Code (TCC) from the IRS. For details, visit "E-file information returns with IRIS." on the IRS website (www.irs.gov/filing/e-file-forms-1099-with-iris) or see IRS Publication 5717, IRIS Taxpayer Portal User Guide.

Completing Form 1099-NEC

Filling out Form 1099-NEC is easy. Follow this step-by-step approach:

1. List your name, address, and telephone number in the first box, titled PAYER'S name.
2. Enter your taxpayer identification number in the box entitled PAYER'S TIN.
3. The independent contractor you have paid is called the "RECIPIENT" on this form, meaning the person who received the money.

Provide the independent contractor's taxpayer identification number (TIN), name, and address in the boxes indicated. For sole proprietors, you list the individual's name first, and then you may list a different business name, though this isn't required. You may not enter only a business name for a sole proprietor.

4. Enter the amount of your payments to the independent contractor in Box 1, entitled Nonemployee Compensation.
5. If you've done backup withholding for an independent contractor who has not provided you with a taxpayer ID number, enter the amount withheld in Box 4.
6. Finally, if you withheld state tax from the IC's compensation, show the amount withheld in Box 5, your state tax ID number in Box 6, and the IC's total pay in Box 7. You may have to withhold state tax if you fail to get an IC's tax ID number or if you treat an IC as an employee for state tax purposes but not for federal tax purposes.