

# News You Can Use

Tools for Corporate Executives

## **Is Your Vacation Home a Business?**

The IRS considers your vacation home a business if your personal use does not exceed 14 days per year or 10% of the number of days the property is rented out at fair market value, whichever is longer. If your home qualifies as a business you:

- Must report all of your rents as income.
- May deduct expenses attributable to the rental business.
- May depreciate the cost of the building over 27.5 years and the cost of appliances, carpets and furniture used in the rental property over shorter periods.
- May deduct mortgage interest and property taxes attributable to personal use of the property.
- May deduct, subject to income limitations, up to \$25,000 in losses per year against other income, such as wages, if you actively participate in the management of the property.
- May defer capital-gains taxes when selling your vacation home by swapping it for another rental property through a “1031 exchange.”