DEALING WITH THE IRS

# From Laurie and Linda

How are you using your beach house? The IRS has different rules depending on your answer.

FOR PERSONAL USE ONLY?

If it's for your own personal enjoyment, you can generally only deduct your mortgage interest payments and annual property tax. If you rent your home for only 2 weeks a year, you don't have to pay any tax on that rental income, but are barred from writing off any rental related expenses. So, if the home is rented for more than 14 days per year, you must pay taxes on all income received.

MAINLY FOR RENTAL PURPOSES?

If you never visit your investment home, other tax rules apply. Without any personal use, the home is considered an "investment property" and any time spent by you to briefly check on it or do repairs does not count as personal use. But if it is exclusively for rentals, you can deduct numerous expenses such as taxes, depreciation, insurance, mortgage interest, utilities, housekeeping and repairs among other things. Treat a rental property like a business and keep detailed records. And it's a good idea to maintain a separate checking account for it.

FOR MIXED USE?

Things get a little complicated when in the same year you make personal use of the home, but also rent it out for more than 14 days. In this case, the key to maximizing deductions is to keep annual personal use of the home to fewer than 10 percent of the total rentable days. If you do this, the vacation home is treated as a rental– meaning you get the same generous deductions as described above.

A word to the wise: This information is meant to be a general guideline. However, the IRS has complicated rules and there may be other caviats thrown into the mix. So be absolutely sure to contact your tax expert before filing your annual income taxes to find out how your beach house fits into the mix.