The Tax Picture

Tax Time Tips For Rental Property Investors

(NAPSA)—While owning a rental property can be a terrific way to bring in income, those extra dollars can make things complicated when it comes to preparing a tax return.

Fortunately for the 15 million people who own rental properties in the U.S., there are ways to make tax season a little more manageable:

• Store your receipts, bills and statements during the year. This will make it much easier to locate and organize them at tax time. Create an envelope or folder for each property, and put all of your receipts in there during the year. Do the same for regular bills such as the mortgage, property taxes, insurance, utilities, etc.

• Keep good rental payment records. You probably get a lot of checks—and even cash—from your tenants during the year. It can be really hard to figure out at tax time if you don't stay organized during the year.

• Know what property each check comes from. You can record this with your bank deposits in your checkbook or a spreadsheet or rental property software.

• Use rental property software like Quicken Rental Property Manager 2.0, designed for people who own up to 10 properties and 25 total units. It makes it easier to file taxes and manage rental property income and expenses. This can help eliminate hours at the end of the year preparing for that Schedule E. Using the software, you can simply print the tax report and transfer the data to the form, give it to your accountant, or export data directly to tax preparation software like TurboTax.

• Separate security deposits from rent payments. Security deposits are not considered income if you intend to return them to the tenant, so make sure these deposits are separated from rent payments.

New software can help landlords keep their finances organized, making tax time less of a hassle.

• Flag expense receipts. Some expenses are hard to classify properly for the IRS. When you replace the faucet in the bathroom, is that considered a repair or a capital improvement? It makes a big difference to Uncle Sam because 100 percent of repairs can be deducted this year, but capital improvements must be deducted over time. When you're not sure, flag those receipts so you can later discuss them with your accountant. Keep them in a separate place or flag them in your expense journal.

• Lastly, don't forget the mileage deduction. You probably rack up a lot of miles driving to and from your properties and those trips to the hardware store. It can be tedious to keep track of the mileage, but it really pays off since the IRS allows you to deduct about 45 cents/mile. To make it easier, use an Internet map service such as MapQuest to look up the mileage for common trips—like between your home and each property.

For more information, visit www.quickenrental.com.