For Real Estate Owners & Investors

FEBRUARY RENTAL TAX Prep

1. SORT EXPENSES BY PROPERTY

The IRS expects each property on its own line.

- [ ] Break down mortgage interest (Form 1098) by specific property.
- [ ] Separate property taxes by address.
- [ ] Assign insurance premiums to the correct property.
- [ ] Log property management fees per property.
- [ ] Match 1099-MISC forms from managers to your deposit records.

2. REPAIRS VS IMPROVEMENTS

This is the #1 audit trigger for landlords.

- [ ] Repairs: Fix something broken → deduct in full this year.
- [ ] Improvements: Add value or extend life → must be depreciated.
- [ ] Fixing a leaky faucet = repair. New roof = improvement.
- [ ] Replacing one appliance = repair. Full kitchen remodel = improvement.
- [ ] When in doubt, ask your tax preparer before filing.

3. COMPILE YOUR MILEAGE LOG

The IRS requires a contemporaneous record.

- [ ] Log all trips to rental properties (inspections, repairs, tenant meetings).
- [ ] Record the date, destination, purpose, and miles for each trip.
- [ ] 2025 IRS standard rate: 70 cents per mile.
- [ ] Multiply total miles × $0.70 for your deduction.
- [ ] Keep gas receipts if you use the actual expense method instead.

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4. RECONCILE RENTAL INCOME

Match what tenants paid to what you deposited.

- [ ] Confirm total rent collected per property for 2025.
- [ ] Account for security deposits (taxable if not returned).
- [ ] Record any late fees, pet deposits, or other tenant payments.
- [ ] Note vacancy periods for each unit.
- [ ] Match property manager payouts to your bank deposits.

5. CHECK FOR SALE REPORTING

Sold a property in 2025? Verify everything.

- [ ] Form 1099-S received from the title company or closing agent.
- [ ] Gross proceeds (Box 2) match your closing statement.
- [ ] Original purchase price and closing costs are documented.
- [ ] All improvements made during ownership are recorded (increases basis).
- [ ] Depreciation recapture accounted for (taxed at up to 25%).

6. GET YOUR SCHEDULE READY.

Clean records now = clean filing later.

- [ ] Pull your 2024 return for depreciation schedule reference.
- [ ] Separate each property into its own expense summary.
- [ ] Confirm 1031 exchange documentation is complete, if applicable.
- [ ] Flag any properties converted from personal to rental use.
- [ ] Schedule your tax appointment before the March rush.

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SORTED.
SCHEDULED.
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From Schedule E to depreciation, we handle the complexity so you keep more of your rental income.