

Renters

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Rental Property 3rd, October, Rental Property One should put into consideration various questions when thinking about tax rental property.

First, what is the value of the property? At this point, one can request for the recent copy of the tax bill to obtain this information. Secondly, how often the property is reassessed and when was it done last? Taxes should increase after reassessing the property. The third question would be whether the property sale can increase tax. There may be an increase in taxes if the amount paid for the property is high. Another important question would be whether there is a comparison on the amount paid on taxes within that region. If there is no comparison, one should lower the tax rate.

To report rental income, one can use the form 1040 that comprises of all the schedules from A to F, J, L, M, & SE, and the other form 1040 with few information and no schedules. If your buildings, apartments, or rooms provide only trash collection, heat, and light among others, one should only report the rental income and expenses on part 1 in schedule E form 1040. If the apartment provides extra services that are essential to tenants' convenience, like maid service, regular cleaning, and changing linen should report the rental expenses and income in Schedule C form 1040. It indicates considerable services of the apartment or business as the real estate dealer. One can include rental income from the real state property owned by the taxpayer with the income they are reporting for their convenience store by including it on the schedule C used to report sales activities. This may be helpful as in most cases one may be subject to risk on activities carried out as business or trade. Typically, schedule C highlights the loss and profit from the business. It underlines basic services imposed for tenant's convenience, and the total rental expenses and income (Anderson, 2011).

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The rental income is an income that is subject to self employment taxes. It is worth noting that, rental income is indicated on schedule E with Supplemental loss and income of tax return. Such incomes are derived from corporations, rental income, royalties, and trusts just to name a few. Nevertheless, even though such are categorized as income, it is not earned until one rent a personal property rather from real estate. Rental income takes place when one invests money in estates, which is return on investment in the form of rent. Therefore, the rental income can only be subject to self-employment taxes if there is investment obtained. However, if the apartment does not give in return income cannot be objective towards self-employment tax. Lastly, in most cases a rental activity is one from, which you obtain income from the tangible property instead of its services. Following this, all activities of the rental real estate are passive activities excluding those complying with the standards of the real estate. One is not obligated to tax under passive activities, as they do not add any benefit to the owner. However, it can only be subjective to tax if the apartment provides rent income.

Reference

Anderson, S. E. (2011). Converting a principal residence to rental property. *Practical Tax Strategies*, 86 (2), 61-65. Retrieved from <http://search.proquest.com/business/docview/857837394/1398CA5844436530EE2/3?accountid=45049>

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