

What are the Common Landlord Tax Deductions?

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As a property owner and/or landlord, it's extremely important to fully understand the scope of allowable tax deductions. That's because, with any real estate purchase, the idea is to reduce personal tax burdens.

With investment properties, in particular, it's fundamental to reduce expenses in order to maximize profit. One way is to take full advantage of every single allowable tax deduction.

In general, landlords can only deduct those expenses considered "ordinary and necessary." These deductions must be "in the line of business" and must fall within the range of specific categories.

Ordinary and Necessary Expenses

"Ordinary expenses" are those that are commonly accepted within the real estate industry. For example, a landlord or property owner may have paid to repair a roof leak – or paid to fix an HVAC unit. Both of these are allowable tax deductions.

"Necessary expenses" are considered appropriate for a landlord or property owner to effectively run a business. This might be the purchase of Rental Property Management Software that would streamline the day-to-day management of a property.

Proper Landlord Tax Deductions

When claiming tax deductions, it's imperative to provide proof of expense in the event of an audit. As such, landlords should keep proper records of income and expenses. Finally, not every tax deduction applies to every property. That's why it's smart to consult with a professional.

Depreciation

Depreciation is something that loses value over time. For a landlord, depreciable assets would include various improvements to the property. As well, furniture, appliances, and vehicles (used for business) are considered depreciable. The level of depreciation varies with the item.

Physical Repairs

Physical repairs may be deducted in a specific tax year. Repairs are defined as work necessary to keep a property "in good condition." Repair work would be different than "improvements" which add actual value to a property. Improvements must be treated more like depreciation overtime.

Interest Payments

Landlords may deduct interest on business-related expenses. This would include the following: mortgage interest or interest paid on a business loan; interest on car loans (relative to business use); and any interest paid on a credit card that has been used specifically for a business purpose.

A Home Office

A home office deduction is applicable if a specific part of the home is being used exclusively as an office. By definition, a landlord must conduct “most” of the business activities in order to deduct. The amount of the deduction is a percentage of the home that the office physically occupies.

Employee Wages

Employee wages can be deducted as business expenses for full-time and part-time employees. This would include an employee like a property manager or a permanent live-in superintendent for a rental property. Part-time employees might include a contractor or maintenance person.

Working with Professional Tax Specialists Like Rebate4U

The tax professionals at Rebate4U provide valuable advice for landlords, property owners, and real estate investors. This is especially valuable for those applying for Ontario’s [New Residential Rental Property Rebate](#). Find out more by calling one of our in-house experts at 416-783-6969 or 1-800-610-4510 or contact us online.