

Renting Personal Residence

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Ron and Patricia's live on Lake Palestine, in Bullard, Texas. They are planning a vacation next summer and wanted to know what the tax ramifications would be if they rented their primary home while they go on vacation. They are hoping to rent it for \$2,000 per week.

Because the home is their personal residence, if they rent it for fewer than 15 days during the year, **the rental income is not taxable**. You read it correctly, if they rent their home for 14 days and collect \$4,000 - they will not be taxed on that \$4,000 of income. Of course, any rental expenses they incur will not be deductible. However, they would still be allowed to fully deduct their qualified residential interest expense and real estate taxes on Schedule A (subject to the overall limitation on itemized deductions).

However, if they rent their primary residence for more than 14 days, the calculation become much more complex. There are a set of ordering rules that must be followed to determine which expenses can be deducted and to what extent. It is best to consult with your tax advisor in this situation.

Gina L. Gwozdz is a CPA who has chosen to specialize in taxes. Visit her website at <http://GLGcpa.com> to view more Tax Tip Articles.