


# Hampton Roads Rental – Tax Reporting Guide for Rental Income

 Serving Hampton Roads, Virginia

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## Understanding Rental Income & Tax Obligations

As a rental property owner, you are required to report rental income and applicable deductions to the IRS and Virginia Department of Taxation. Below is a guide to managing your tax reporting effectively.

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### 1. What Qualifies as Rental Income?

The IRS considers the following as **taxable rental income**:

- Monthly rent payments collected.
  - Security deposits **only if** retained for non-refundable purposes.
  - Fees for lease modifications or early termination.
  - Payments for services required under the lease (e.g., utility reimbursements).
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### 2. Deductible Expenses for Landlords

You may deduct expenses incurred to maintain and operate the rental property, including:

- **Mortgage Interest** – Interest paid on rental property loans.
  - **Property Taxes** – Annual real estate taxes assessed by Virginia.
  - **Insurance Premiums** – Landlord insurance coverage.
  - **Repairs & Maintenance** – Routine upkeep and emergency repairs.
  - **Depreciation** – Claiming annual depreciation on rental property assets.
  - **Property Management Fees** – Including leasing, maintenance coordination, and eviction processing.
  - **Utilities & HOA Fees** – If paid by the landlord.
  - **Legal & Professional Fees** – Attorney or CPA costs related to rental operations.
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### 3. IRS Form & Filing Requirements

- **IRS Form 1040, Schedule E** – Used to report rental income and expenses.
  - **Form 1099-MISC or 1099-NEC** – Required if you pay vendors or contractors **over \$600 annually**.
  - **Virginia State Tax Filing** – Rental income must also be reported to the **Virginia Department of Taxation**.
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#### **4. Record-Keeping & Best Practices**

- Maintain **detailed records** of all income and expenses.
  - Store receipts, invoices, and bank statements for **at least 3 years**.
  - Use accounting software or hire a CPA for compliance and accuracy.
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#### **5. Frequently Asked Questions**

**1. Do I have to pay self-employment tax on rental income?**

No, unless you actively provide services beyond standard property management.

**2. Can I deduct rental property losses?**

Yes, up to **\$25,000 per year** if your adjusted gross income (AGI) is below **\$100,000**.

**3. What happens if I sell my rental property?**

Capital gains tax applies, but **1031 exchanges** allow reinvestment without immediate taxation.

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◆ **Hampton Roads Rental – Helping Landlords Navigate Tax Compliance.** ◆