



## DEDUCTIBLE EXPENSES FROM RENTAL INCOME

Most necessary expenses incurred in conducting the activity – not just maintenance and repairs as before – are now deductible. There are numerous categories of deductible expenses that reduce taxable rental income for “IRS” purposes:

- 1) Expenses incurred to obtain or guarantee the property income, with the exception of:
  - financing;
  - depreciation;
  - furniture, appliances and articles of comfort or decoration.
- 2) Included Services
  - pool & garden maintenance, etc.;
  - cleaning (between occupancies, not during).

Also, in apartment buildings, collectively shared expenses such as:

- doorman and common area cleaning costs;
  - building security;
  - energy and maintenance of elevators;
  - condominium fees.
- 3) Maintenance, such as:
    - interior and exterior painting;
    - building insurance, etc.
  - 4) Repairs, such as:
    - repairs or replacements of parts of the plumbing and/or electrical systems;
    - repairs or replacements of parts of included appliances, etc;
  - 5) Rates (“IMF”) and other Municipal charges;
  - 6) Cost of agency fees and Energy Efficiency Certificates.

Withholding Tax is reported as a tax credit.



## NON-DEDUCTIBLE EXPENSES

The following expenses are examples of expenditures which are not deductible:

- Expenses for building contents (furniture, household articles, comfort or decoration) are not eligible;
- Construction altering the structure of the building (addition, new roof, pool, etc);
- Land or building acquisition;
- Installation of air conditioning;
- Other *capital improvements*, such as installation of irrigation systems, etc.

When properly documented, such *capital improvement expenditures* may enter into the calculation of the taxable base of the building for Capital Gains purposes when the property is eventually sold.

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### **Note:**

*For more details, please consult brochure b69,  
“Landlords and IRS: Changes in Assessment”.*