

Can I Rent My Residence While Traveling??

Travelers who own their own homes must find a way to maintain the home while away and if the absence is lengthy, renting the home is an option. If you are considering renting your home, there are some tax issues you should be aware of.

As a general rule, renting your home does three things: 1) Converts the home from a personal residence to business, 2) contractually forfeits the residence to the tenant and 3) shifts the maintenance of the home to the tenant. Each of these actions disqualifies the residence as a tax home. Since the financial liability is now the tenants, you are no longer “duplicating” housing expenses unless you maintain a 3rd dwelling.

Two alternate approaches allow you to claim the dwelling as your tax home while still renting it. The first is a partial rental. A partial rental reserves a portion of the home for your personal use that you occupy when you return home. For example, if your home has three bedrooms, you rent two of them and use the third for yourself. With this arrangement, you can still claim depreciation and appropriate expenses for the rental portion. This is great for singles, but may be a small problem for couples or families.

The second alternative is a “not for profit” rental. This is a rental significantly below fair market rental value of the area. With the rent so low, there is no profit motive and the does not have a business purpose. The rental income still needs to be reported and expenses can be claimed up to the amount of rental income. At such a low rate, the tenant should expect that you will use the dwelling when you are home.

There is a “road less traveled” if you prefer to rent the home for profit. Travel without a tax home. It may sound crazy, but not being encumbered with the demands of maintaining a tax home may be worth the more than the tax breaks. Taking this route, your housing and travel reimbursements will become taxable and you cannot claim meal allowances, but you are free to move as you please. Just make sure your home is in the hands of a good property manager or trusted friend.