



WHITE OWL

FINANCIAL ADVISORS

QUEST CORNER

Welcome to **Quest Corner**, our newsletter with spotlights on lifestyle information, financial tips, local happenings, and more. We hope you will find this to be a valuable and entertaining resource.

Advisor Message



In this month's newsletter, we're tackling a subject that's becoming more common in today's financial landscape—real estate rentals and taxes. With the rise of side hustles and platforms like Airbnb and Vrbo, it's important to understand the tax obligations that come with rental income. Whether you're renting out a vacation home or managing a long-term property, navigating the tax rules can be tricky. In this issue, we'll help you clear up common misconceptions and break down what you need to know to ensure your rental income is working for you, not against you.

Please don't hesitate to contact me if you would like to be connected with tax professionals who can assist you in navigating this process. Even better, come to Quest Financial Group's Open House on Wed, Oct 9th, and meet them in person. See below in "Triangle Happenings" for more details. Hope to see you all there and wishing you a fantastic October and a fun-filled Halloween!



Financial Tips

Real Estate Rentals & Taxes: An Overview

These days, many individuals are using real estate rentals as a side hustle, leading to numerous misconceptions about the associated tax obligations. Understanding how to compute your taxes starts with determining your income. According to the IRS, gross income includes "all income from whatever source derived," which means any rent collected is considered part of your gross income. Many people use platforms like Airbnb and Vrbo for short-term rentals, making them subject to the tax rules for residential rental property. Tax preparers frequently face questions from clients about how rental income and expenses are treated for tax purposes. Fortunately, platforms like Airbnb and Vrbo manage bookings, payments, and disbursements, simplifying the reporting of rental income.

Rental Income and Expenses

Rental income is considered "constructively received" when it becomes available to the landlord. Aside from rent, other types of payments may be considered rental income, such as amounts paid to cancel a lease, advance rent, expenses paid by tenants, and security deposits applied to the tenant's final month's rent, which is treated as advance rent and must be included in gross income when

received. Refundable security deposits are not included in gross income unless they are not returned to the tenant at the lease's end.

Improvements made by tenants that increase the value of the property are included in the landlord's income only if they are made in lieu of rent or result in a reduced rent. In such cases, the fair market value of the improvements should be included in gross income. If improvements are made without affecting rent, they are not included in the gross income.

Landlords can deduct a variety of expenses, including operating costs necessary for maintaining the property in good, livable condition. These deductibles include mortgage interest, casualty losses, taxes, utilities, repairs, supplies, cleaning services, and insurance. Depreciation is another deductible expense but is beyond the scope of this discussion. Additionally, qualified taxpayers may be eligible to deduct up to 20% of their qualified business income if specific requirements are met.

Deductions for Rental Properties and Vacation Homes

Many homeowners are now using their properties for both personal and rental purposes, leading to certain limitations on deductions. How the IRS views the tax treatment of rental income from a taxpayer's home depends on the extent of personal use and whether the property is rented at fair market value. If the home is rented for fewer than 15 days per year, it is considered for personal use only, meaning rental expenses are not deductible, and rental income is not included in gross income.

If the property is rented for more than 14 days and the homeowner's personal use exceeds the greater of 14 days or 10% of the total rental days, the property is classified as a mixed-use property. In this case, rental expenses are deductible, but only up to the amount of rental income, which is included in gross income. Taxpayers must allocate expenses between personal and rental use, as expenses for personal use are not tax-deductible. Other factors to consider include passive activity loss rules and at-risk rules.

Sources cited: Cole J. Engel, PhD, CPA. NATP TaxPro Magazine, August 2024, Issue 8, Volume 46. Condensed and rewritten by Martin Ogundele, VOS Bookkeeping and Tax, a member of Quest Financial Group.

Lifestyle

21 Ideas for Outdoor Pumpkin Décor for Halloween and Fall

Transform your yard into a spooky, autumnal wonderland this Halloween with the timeless charm of pumpkins. Whether you're aiming for a classic harvest look or an eerie, haunted display, pumpkins are your go-to canvas.

The folks over at Better Homes & Gardens have compiled a list of ideas that will help you make a statement with your fall pumpkins.

[Click here to read the article.](#)





Triangle Happenings

Fall Open House Event, Oct 9, 2024,

We are excited to invite you to Quest Financial Group's Fall Open House on Wednesday, October 9th! Join us any time between 4-7 pm for an opportunity to meet our growing team and enjoy some light refreshments in a relaxed setting. In the spirit of giving back, we are collecting canned goods for Dorcas Ministries Food Pantry. For every canned good you donate, you'll receive a ticket for our door prize drawing.

Click here for more details and to RSVP for the event: [OPEN HOUSE RSVP](#)

Falling for Local, Oct. 5, 2024

A festival for autumn lovers at Dorothea Dix Park, Falling for Local features live music, local makers, craft beer, food trucks, games for kids, hay rides, free pumpkins and more. [More information here.](#)

Triangle Oktoberfest, Oct. 4-5, 2024

The Raleigh area's biggest Oktoberfest celebration, Triangle Oktoberfest at Koka Booth Amphitheatre in Cary provides plenty of family-friendly activities including live music, storytelling, dancing and traditional Bavarian food and fare (plus local and authentic German beers on hand). For more details, visit triangleoktoberfest.org

SAS Championship, Oct. 11-13, 2024

See some of golf's best at the SAS Championship, a PGA Tour Championships event. Held annually at Prestonwood Country Club in Cary, the event is widely recognized as one of the most important events of the year, and also features a Pro-Am event, the ever-popular Food Truck Friday and a 5k Saturday race for the whole community to get involved. Sign up at saschampionship.com

N.C. State Fair, Oct. 17-27, 2024

The largest annual event in the state, the N.C. State Fair draws one million visitors through the gates each October. Eleven days of high-flying rides, deep-fried foods, live music, stunt shows and other entertainment (including nightly fireworks) has been a can't-miss event for generations of families—the 2024 version of the N.C. State Fair marks the 156th year of the event! Get the full schedule at www.visitraleigh.com/event/2024-n-c-state-fair/90700

Word of the Month

The Word of the Month
is: **Amortization**

Amortization (noun) refers to the gradual repayment of a debt over time or the spreading out of tax deductions over a period, particularly for intangible assets or certain expenses, such as mortgage points or improvements. In the context of real estate rentals and taxes, amortization can apply to costs associated with property improvements or financing.

Example: "Landlords can amortize certain property improvements over several years to reduce their taxable income."



Thanks for reading. Would love to hear your thoughts!

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