TORO taxes
Individual & Business Services

RESOURCE CENTER · CRECE CON TORO

SCHEDULE E — RENTAL INCOME

Home & Commercial Rentals

Rental income · Schedule E (not Schedule C)

! **Educational** material. This is not tax, legal or accounting advice, nor a personalized consultation. Every situation is different: figures, rules and deductions may change based on your case, your state and current law. **Always validate your situation with a Toro Taxes preparer** before making decisions.

1 Your income: how to report it

Report ALL rental income: monthly rent, last month and advance rent you receive in the year, no matter how you're paid — cash, check, transfer or app — and **even if you don't get a 1099**.

Keep a **per-property record**: rent collected, dates, a receipt for each expense and bank statements. If you have several units, separate them to report correctly.

The **security deposit** isn't reported as income if you plan to return it; the portion you keep does become income.

Sales tax and rent: as a general rule, real-estate rent —residential or commercial— **does not** trigger sales tax. Florida was the only state that charged it on commercial rents, and that tax was **repealed effective October 1, 2025**. What can trigger tax: **short-term / lodging rentals** (vacation, Airbnb, under 6 months) via lodging/occupancy tax, and the **rental of equipment or tangible property**. Whatever applies **must reconcile** with your annual return: check with your state, county and city.

THE KEY QUESTION TO KNOW IF SOMETHING IS DEDUCTIBLE

What I'm spending or investing — do I need it to earn the income I'm reporting?

If the answer is yes and you can prove it, it's likely a business expense. If it's personal or mixed-use, only the business portion is deductible. Without a receipt and a record, a valid deduction can be lost.

2 Most common expenses in your trade

Mortgage interest	The interest portion of the property's mortgage payment.
Property tax	Property tax on the rented property.
Insurance	The property policy (and rent insurance if applicable).
Repairs & maintenance	Fixes that keep the property up (not improve it).
Management	Property management fees and tenant screening.
Owner-paid utilities	Water, trash, landscaping, common areas.
HOA dues	Association dues when they apply.
Advertising	Ads to rent the unit.
Professional fees	Legal, accounting and prep fees tied to the rental.
Depreciation	Residential over 27.5 years; commercial over 39 years.
Travel / miles	Miles to manage, collect on or repair the property.

This list covers the most common expenses for the trade. They **can vary** depending on how you operate. In every case you must be able to show the expense is **ordinary and necessary** — that is, indispensable to make the sale or provide the service. Keep proof of each one.

This is Schedule E, not Schedule C. Rental income generally **does not pay self-employment tax**. Tell a **repair** (deducted right away) apart from an **improvement** (depreciated). The security deposit isn't income while you intend to return it. Passive-loss rules apply: that's why it's key to review it with your preparer.

3 Mileage vs. actual vehicle expenses

There are **two methods** to deduct business use of your vehicle, and **you can only use one per vehicle** per year:

Standard mileage method

You multiply your **business miles** by the IRS rate for that year. Business rate: **70¢ per mile in 2025** and **72.5¢ in 2026** (the IRS updates it yearly — confirm the rate for the year you file).

Actual expense method

You add up your real vehicle costs (gas, oil, maintenance, repairs, tires, insurance, registration and depreciation) and deduct only the **business-use percentage**.

If you choose mileage, you stop deducting separately gas, maintenance, repairs, tires, insurance, registration and depreciation: all of that is **already included** in the per-mile rate. Deducting mileage plus those costs would be double-dipping, which isn't allowed. You may still add business **tolls and parking**, and the business portion of your car loan interest.

Requirements and when the mileage method does NOT apply:

- To use mileage, you generally must choose it the **first year** you use the vehicle for business. If you use actual expenses with depreciation or Section 179 that first year, you are usually **locked into** actual expenses for that vehicle.
- If you **lease** the vehicle and start with mileage, you must keep using mileage for the **entire lease term**.
- You **cannot** use mileage if you operate **5 or more vehicles at the same time** (a fleet), or if you already claimed accelerated depreciation or Section 179 on that vehicle.
- Driving from home to a fixed workplace (the **commute**) is **NOT deductible**. Business miles between jobs, clients or delivery points **are**.
- Keep a **mileage log**: date, miles, destination and business purpose. Without a record, the deduction won't hold up.

Practical example

You drive **1,500 miles in 2025** to manage, collect on and inspect your property.

With mileage	1,500 × $0.70 = **$1,050** deduction.
With actual costs	Vehicle costs prorated to the rental-related use.

With rentals you can also deduct trips **directly related** to managing the property. Keep a log with date, miles and purpose.

4 Keep your business account separate from personal

Open and use a **business bank account** separate from your personal one. This applies **even if you don't have an LLC**: as a self-employed contractor, business transactions must be kept separate from personal ones.

Mixing personal and business money makes it nearly impossible to prove your real income and expenses, complicates your bookkeeping and weakens your deductions under review. A separate account + a business card = clean records, stronger deductions and less risk.

Ready to review your situation?

We review your income, expenses and documents so you report correctly and claim every deduction you're entitled to.

Book: citas.crececontoro.com **Phone:** (405) 803-8335
Visit us: inside Supermercados Morelos · Warr Acres, OK