



US Reporting  
and Taxation of  
Rental Income for  
Individuals

December 2023



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# US Reporting and Taxation of Rental Income for Individuals

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## Overview

As a Host who has made your property available for booking on Airbnb, you may have received income that is subject to taxation in the United States. The following is a summary of the possible US tax consequences. The following discussion is not intended to constitute tax advice to any Airbnb Host and does not necessarily reflect the views of Airbnb. All Hosts and third parties should consult with a professional tax advisor to determine whether they are subject to US taxation and the reporting necessary.

### 1 US Tax Residency and Tax Forms from Airbnb

US tax law treats US persons and foreign persons differently for tax purposes. Therefore, it is important to be able to distinguish between the two types of taxpayers.

#### 1.1 US person includes a US citizen or a US resident.

You are considered a US resident if you are a US Green Card holder or meet a “substantial presence test.” You satisfy the substantial presence test if you are present in the US for at least 31 days in the current year and 183 days in total, calculated using a weighted formula of 100% of current year US days plus 1/3rd of the 1st preceding year US days plus 1/6th of the 2nd preceding year US days.

If you are a US person (US citizen or US resident), you are subject to income tax on worldwide income (e.g. income earned from US properties and non US properties). Airbnb issues a Form 1099-K to US citizens and residents to report gross rental proceeds earned through Airbnb, which should then be reported on your US tax return. Airbnb may also issue US citizens and residents Forms 1099-MISC or Forms 1099-NEC to report other awards or compensation paid directly by Airbnb. Even if you did not receive a Form 1099 from Airbnb (for example if you received payments below a Form 1099 reporting threshold), you are still responsible to report any income earned on your US tax return.

#### 1.2 US nonresident

Should you fail to meet the definition of a US resident, you are considered a US nonresident. Nonresidents are subject to US taxation on US-sourced income (e.g., rental income received from a property within the US). Even if you did not receive a Form 1099 from Airbnb (for example if you received payments below a Form 1099 reporting threshold), you are still responsible to report any income earned on your US tax return.

Airbnb issues a Form 1042-S to nonresident filers reporting US-sourced income. Nonresidents will utilize Form 1040-NR to report the rental income reported to them on Form 1042-S. Even if you did not receive a Form 1042-S from Airbnb you are still responsible to report any US income earned on your US tax return. You should contact a tax advisor to determine whether you are subject to US taxation.

### 1.3 Taxpayer Information (TPI) and Forms to Submit to Airbnb

Both individuals and entities can be considered Hosts on the Airbnb platform. Individuals include sole proprietorship, Doing Business As (“DBA”), single member LLC and a disregarded entity for US tax purposes. Entities include partnership, C corporation, and S corporations. As a Host with Airbnb, you will be asked to provide some taxpayer information (“TPI”) to Airbnb, which may include your name, address of permanent residence, taxpayer identification number, etc. You will need to provide TPI for yourself and any beneficiaries receiving payments from Airbnb by completing Form W-9, W-8 ECI, and/or W-8 BEN/W-8 BEN-E.

The TPI you will be requested to provide will depend on your US residence status. If you are a US citizen or resident, you will use form W-9 to submit your TPI.

If you are a nonresident of the US:

- AND; Receive any payments from US based listings, experiences, or trips, you will complete Form W-8 ECI;
- OR; Do not have any US based listings, experiences, or trips, you will submit Form W-8 BEN (if you’re an individual) or W-8BEN-E (if a non-individual)<sup>1</sup>

The TPI received from you will be used by Airbnb to determine whether you are subject to US tax withholding and the proper reporting of payments made by Airbnb to you on Form 1099-K or on Form 1042-S. You will find more information on this subject at:

<sup>1</sup> In some cases non-individuals should complete other types of Forms W-8 besides the W-8ECI, W-8BEN or W-8BEN-E. For example a non-US partnership or other intermediary may be required to provide a W-8IMY to show flow through of payments to underlying partners or other beneficiaries where an intermediary is signing up as the Host. You may need to contact a support representative at Airbnb if you wish to provide a W-8IMY.

For more detailed information, please click on the below Airbnb link:

[Why Airbnb is requesting your US taxpayer information - Airbnb Help Center](#)

[Form W-9 \(US taxpayers/Green Card Holders/US residents\): How to complete Form W-9 - Airbnb Help Center](#)

[How to complete Form W-8BEN - Airbnb Help Center](#)

[How to complete Form W-8ECI - Airbnb Help Center](#)

### 1.4 Consequences for not providing information

Airbnb is required by law to comply with the US income reporting and tax withholding obligations. Your US tax status and payments can be processed by Airbnb only when the necessary TPI is provided. If you haven't provided your taxpayer information, your calendar will be blocked from future reservations, payouts may be paused, and/or a 24-30% tax withholdings may apply. To avoid this, please provide your TPI as soon as possible.

For more detailed information, please click on the below Airbnb link:

[Frequently asked questions about taxes - Airbnb Help Center](#)

Please note that non-US Hosts who only provide a W-8BEN or W-8BEN-E may be subject to a 30% withholding tax on earnings from any US listings, experiences, or trips. This is because earnings from providing US listings, experiences or trips are generally considered earnings from a US business and are subject to US taxation. Non-US Hosts may provide a Form W-8ECI to certify they are earning income connected with a US business and file a US tax return and are thus exempt from the withholding tax.

### 1.5 Payment Beneficiary

A payment beneficiary is a person or entity designated to receive payment for services. The person Airbnb reports the earnings to on Form 1099/Form 1042-S will correspond to the taxpayer whose information was provided on either the Form W-8 or W-9. For Hosts with more than one payout method/beneficiaries for different properties, each beneficiary must fill out a separate Form W-9 or W-8 for each payout method (e.g. two US properties will have two payout methods; therefore, two separate forms will need to be completed). Get more information on allocating payments between different accounts by clicking on the link below.

For more detailed information, please click on the below Airbnb link:

[Changing your taxpayer information - Airbnb Help Center](#)

### 1.6 Property Managers

Property managers authorized to act on behalf of third-parties to provide listings are responsible for ensuring that any third-party property owners they serve provide Forms W-9, W-8 etc. to Airbnb.

These submitted forms allow the gross income earned by the third-parties to be reported on a Form 1099-K (for US residents) or Form 1042-S (US nonresidents) to the third-party property owners. Properties with multiple rental listings from different providers will list the different methods of payout for each Form 1099-K or Form 1042-S issued to Hosts (third parties).

## 2 Reporting Airbnb income on US returns

Generally, most taxpayers in the US operate on a cash basis, which means they include their rental receipts into income when they actually or constructively receive them and deduct expenses when paid. For example, after a Guest initiates a stay and funds are transferred to you. If a Guest books a stay from December 28, 2024 to January 5, 2025 and you receive a payout for the full stay on December 28, 2024, using a cash basis you would report the income from the stay as earned in 2024 even though the stay would not complete until 2025.

Taxpayers may also utilize the accrual method. Under the accrual method rental receipts are included in income when earned even though they may not yet be received.

For clarification, Hosts should consult their tax advisor for assistance in determining the proper accounting method and when income should be reported.

### 2.1 US Resident Return using Form 1099-K

Airbnb allows landlords or providers to list properties/rooms and services through their website. As Airbnb facilitates payments for these various services to outside people, Form 1099-K must be issued to all Hosts qualifying as US residents if monies are in excess of \$600 USD. Form 1099-K lists all (gross) income reported through this arrangement.

### 2.2 US Nonresident Return using Form 1042-S

Airbnb also issues Form 1042-S containing similar information but for non-US residents with US-based income.

The reported amount of gross income reported on form 1099-K and 1042-S includes all amounts paid to Hosts and providers, regardless of any cancellations or refunds issued within that year. Cancellations or refunds may be deducted depending upon the nature of the transactions to arrive at a net amount of income.

For more detailed information, please click on the below Airbnb link:

[Tax documents from Airbnb](#)

[When you might receive a tax form from Airbnb - Airbnb Help Center](#)

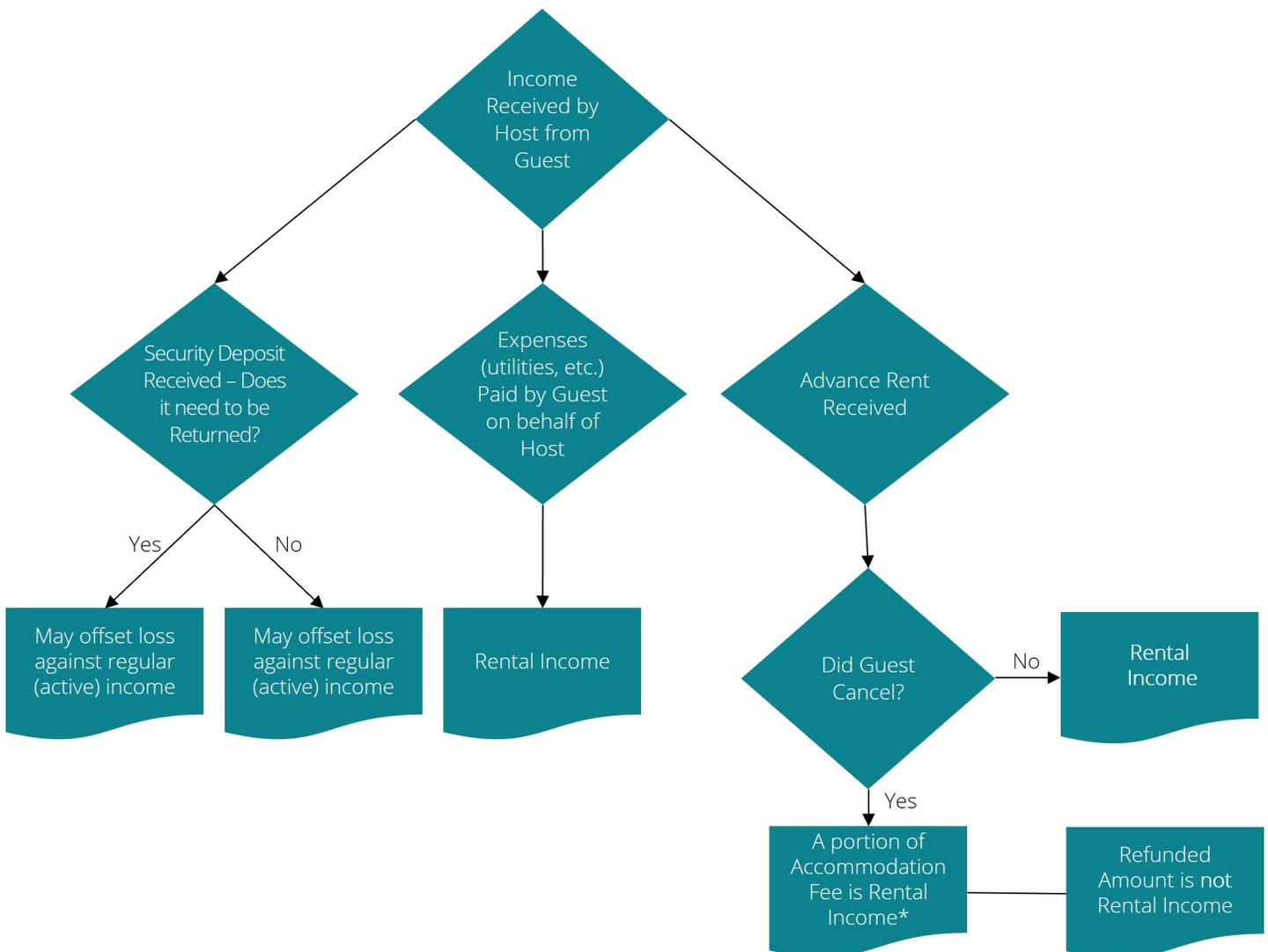
### 2.3 Rental Income

You must generally report all the amounts received as rent in your gross income. Rental income is any payment you receive for the use or occupation of property, such as:

- Standard/traditional rental payments
- Advance rental payments
- Payments for cancelling a lease
- Expenses paid by the tenant
- Unreturned Security Deposits (Do not include security deposit amounts, if you plan to return it to your tenant)

See below flowchart for details.

#### What Constitutes Rental Income?



## 2.4 Rental Expenses

A taxpayer who rents property, including real estate, to another party can deduct the expenses incurred in renting the property. A taxpayer can generally deduct rental expenses paid during the period the rental property is available for rent. Thus, expenses of managing, conserving, or maintaining the property before it is actually rented may be deductible. If the rental property is sold, such expenses can be deducted until the date of sale.

In order to deduct rental expenses, the property must be held for the production of income during that period. This is a question of fact. Generally, a property is treated as held for the production of income if there is an active intent to rent the property by listing it with a broker or agent or by placing advertisements in the newspaper or on the internet. A property may also be treated as held for the production of income when there is no active rental but there is genuine intent to rent. For example, rental expenses may be deducted during a period in which substantial renovations are made to a property between rentals. Please see section 2.6 Capital cost vs. Expense for costs required to be capitalized when renovating the property.

Please see the chart below for more examples of deductible expense. If you provide substantial services that are primarily for your tenant's convenience, you may be required to report your income and expenses on Schedule C (Form 1040) Profit or Loss from Business (Sole Proprietorship). See discussion in section 2.8 for requirements to report income and expenses on Schedule C.

	<b>Schedule A (Itemized Deductions)</b>	<b>Schedule E (Supplemental Income and Loss)</b>	<b>Schedule C (Profit or Loss from Business)</b>
Expenses that can be deducted	If rented less than 15 days in a year: <ul style="list-style-type: none"> <li>• Qualified mortgage interest</li> <li>• Property tax</li> <li>• Qualified casualty loss</li> </ul>	<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Maintenance services/supplies</li> <li>• Utilities</li> <li>• Property insurance</li> <li>• Rental property tax</li> <li>• Mortgage interest (if buy or improve rental)</li> <li>• Rent collection (Airbnb) fees</li> <li>• Ordinary/necessary transportation</li> <li>• Repairs</li> <li>• Depreciation</li> <li>• Mortgage point amortization</li> <li>• Property management costs (Host)</li> <li>• HOA fees</li> <li>• Refund payments to Guest (cancellation/alteration through Airbnb Resolution Center)</li> <li>• Airbnb service fee</li> </ul>	<ul style="list-style-type: none"> <li>• Advertising</li> <li>• Credit card convenience fees</li> <li>• Education expenses for training employees</li> <li>• Franchise, trademark, or trade name if payments are part of a series (subject to conditions)</li> <li>• Impairment-related expenses (for disabled filers)</li> <li>• Internet-related expenses</li> <li>• Legal/professional fees (ordinary/necessary only)</li> <li>• License &amp; regulatory fees</li> <li>• Moving machinery</li> <li>• Ordinary/necessary repairs</li> <li>• Outplacement expenses for employees</li> <li>• Tax preparation fees</li> <li>• Utilities</li> </ul>

For more detailed information, please click on the below Airbnb link:

[What expenses are deductible from my Airbnb income as a host of a stay? - Airbnb Help Center](#)

## 2.5 Depreciation

You can recover the cost of income-producing property through annual depreciation deductions by depreciating the property, and deducting some of the cost each year on your tax return. You can start depreciating rental property when it is ready and available for rent. You stop depreciating it when you either fully recover your cost or other basis, or when the property is no longer available for rent, whichever happens first. Please note that you must continue to depreciate the property even if it is temporarily idle (not in use).

There are three factors used to determine how much depreciation you can deduct each year:

### Your basis in the property

The basis of property used in a rental activity is its adjusted basis when you place it in service in that activity. This is its cost or other basis when you acquired it, adjusted for certain items occurring before you place it in service in the rental activity. The cost basis is the amount you pay for property in cash, in debt obligation, in other property, or in services. Your basis may also include the following:

Part of Basis	Not Part of Basis
<ul style="list-style-type: none"> <li>• Sales tax charged on the purchase Freight charges to obtain the property</li> <li>• Installation and testing charges</li> <li>• Abstract fees</li> <li>• Charges for installing utility services</li> <li>• Legal fees</li> <li>• Surveys</li> <li>• Transfer taxes</li> <li>• Title insurance</li> <li>• Any amounts the seller owes that you agree to pay, such as back taxes or interest, recording or mortgage fees, charges for improvements or repairs, and sales commissions.</li> <li>• Renovation and improvement costs *see section 2.6 Capital Costs vs. expense for additional information</li> </ul>	<ul style="list-style-type: none"> <li>• Fire insurance premiums</li> <li>• Rent or other charges relating to occupancy of the property before closing</li> <li>• Charges connected with getting or refinancing a loan, such as:                             <ul style="list-style-type: none"> <li>a. Points (discount points, loan origination fees).</li> <li>b. Mortgage insurance premiums.</li> <li>c. Loan assumption fees.</li> <li>d. Cost of a credit report.</li> <li>e. Fees for an appraisal required by a lender.</li> </ul> </li> <li>• Property that you received, such as:                             <ul style="list-style-type: none"> <li>a. In return for services, you performed.</li> <li>b. In an exchange for other property.</li> <li>c. As a gift.</li> <li>d. From your spouse, or from your former spouse as the result of a divorce; or</li> <li>e. As an inheritance.</li> </ul> </li> </ul> <p>Note: If you received property in one of these ways, see Pub. 551 for information on how to figure out your basis.</p> <p>— Also don't include amounts you placed in escrow for the future payment of items such as taxes and insurance.</p>

### Property can be depreciated

You can depreciate your property if:

- You own the property (You are the owner of property even if it's subject to debt).
- You use the property in your business or income-producing activity (such as rental property).
- The property has a determinable useful life (This means it must be something that wears out, decays, gets used up, becomes obsolete, or loses its value from natural causes). Thus, land, apart from improvements and physical development added to it, is not depreciable. Similarly, the costs of improvements to land are not depreciable if they are inextricably associated with the land.
- The property is expected to last more than 1 year.

### Certain property can't be depreciated such as

- Land – Land does not wear out or become obsolete; thus, you cannot depreciate the cost of land. You may, however, be able to depreciate certain land preparation costs if the costs are so closely associated with other depreciable property that you can determine a life for them along with the life of the associated property.
- Excepted property -
  - Placed in service and disposed of (or taken out of business use) in the same year.
  - Equipment used to build capital improvements. You must add otherwise allowable depreciation on the equipment during the period of construction to the basis of your improvements.

### The recovery period for the property:

The recovery period of property is the number of years during which you can recover its cost or other basis. The recovery period of property depends on its property class.

- For residential buildings placed in service in the US and any improvements made thereto, the recovery period is generally 27.5 years.
- For residential buildings placed in service outside the US after 2017, the recovery period is generally 30 years. If placed in service before 2018, the recovery period is generally 40 years.
- The recovery period starts when the property is placed in service. If the property is renovated after placed in service, depreciation on the renovation starts when it is completed.
- The recovery period ends when the property is retired from service. Retirement from service means the property is no longer available for rent or sale or other disposition.

### The depreciation method used:

There are several depreciation methods you can use, but the main method used is the Modified Accelerated Cost Recovery System (MACRS) which is for residential property placed in service after 1986.

- Under MACRS, residential buildings are depreciated under straight line method using mid-month convention. Under the straight-line method, an equal depreciation deduction is allowed for each year during the asset's recovery period. Under the mid-month convention, you treat all property placed in service or disposed of during a month as placed in service or disposed of at the midpoint of the month. This means that a one-half month of depreciation is allowed for the month the property is placed in service or disposed of.

See [MACRS Depreciation](#), for more information.

### Real property (Section 1250 property)

Section 1250 property is all real property, other than section 1245 property, that is depreciable. Real property is all property other than a personal property. It includes a building or its structural components or any other tangible or intangible real property.

Examples of section 1250 property include a house, barn, warehouse, garage, etc. A residential rental property is a section 1250 property.

### Tangible Personal Property (Section 1245 property)

Section 1245 property is property that is depreciable and includes personal property and other tangible property (not including a building or its structural components). Examples of section 1245 property includes furniture, appliances, floor coverings, carpet, etc., used in rental operations, etc.

When you dispose of a depreciable property (section 1250 property or section 1245 property) at a gain, you may have to recognize all or part of the accumulated depreciation as income. Please contact a tax advisor to understand the depreciation recapture rules

## 2.6 Capital Costs vs. Expenses

A taxpayer may deduct from rental income the ordinary and necessary expenses of carrying on the rental activity that are paid or incurred during the tax year (listed in the previous table). However, a deduction is not permitted for any expenditure that is a capital expense. Instead, capital expenses are included in the basis of the property and are generally recovered through depreciation, amortization, or depletion. Broadly defined, a capital expense is any amount paid for new structures or permanent improvements or betterments made to increase the value and/or useful life of the existing property, or any amount expended in restoring the property.

### Repairs & Maintenance

#### Expense

General repairs and maintenance which arise during rental activity (plumber fixing a toilet or fixture, gardener replacing a sprinkler head, repainting, plastering, replacing broken windows, fixing a leak and repairing floors, etc.) are considered ordinary and necessary. Given their immediate nature and need to keep the property in operating condition, these are typically considered expenses eligible for current deduction.

#### Capital Costs

In contrast, improvements that add value to the property, substantially prolong its life, or adapt it to a new use are usually considered capital costs instead of expenses. They must be capitalized and depreciated. Examples of capital costs include remodeling a kitchen or bathroom, restoration of property to like new condition, replacing a roof, adding heating and air conditioning, plumbing systems, insulation, flooring, wall-to-wall carpeting, built-in appliances or storm doors and windows, and adding exterior improvements to the property such as landscaping, a driveway, a fence, or a swimming pool. The capital costs are added to the cost basis of the property and depreciated/amortized over time.

Note the “nature” of the repair or improvement rather than the “amount” determines whether an expense is deductible currently or should be capitalized.

## 2.7 Prorating Expenses for Rental and Personal Use (Including Vacation home)

### Renting a Personal Residence for Fewer than 15 Days

There are special rules if you use your home (also called as dwelling unit) as a residence and rent it for fewer than 15 days. In this situation, your rental income may not be taxable; however, you may still receive a Form 1099-K or Form 1042-S reporting the income from Airbnb. In this case, you will need to properly report the income and adjust your tax return so that net income is zero as such:

- Report the income from Form 1099K or Form 1042-S on “Other Income” line of Schedule 1 (Additional Income and Adjustments to Income) of Form 1040.
- Make an adjustment on the same line to negate the income by writing “Rental Exclusion for 14 Days Rule.”
- Report mortgage interest and property taxes on Schedule A of Form 1040 (For more information, please reference the table Expenses That Can Be Deducted in the Expenses section of our guide.).

### Renting a Personal Residence for 15 Days or More

If you rent out your dwelling unit for more than 14 days, you become a landlord in the eyes of the IRS and is required to report your rental income. However, you can also deduct rental expenses. See section 2.4 Rental Expense discussed above. Reporting can become complicated as you may need to allocate costs between the time the property is used for personal purposes and the time it is rented.

If you rent a dwelling unit to others that you also use as a residence, limitations may apply to the rental expenses you can deduct. You’re considered using a dwelling unit as a residence if you use it for personal purposes during the tax year for more than the greater of:

- (1) 14 days, or
- (2) 10% of the total days you rent it to others at a fair rental price.

If the above applies, the amount of the deduction for rental expenses is limited to the amount of gross rental income generated by the dwelling unit. You must allocate your total expenses between the rental use and personal use of the property, based on the number of days the unit is rented at a fair rental price to the total number of days the unit is used for either rental or personal purposes. Rental expenses that are disallowed due to the gross rental income limitation may be carried over indefinitely and applied against future rental income.

A dwelling unit includes a house, apartment, condominium, mobile home, boat, vacation home, or similar property. It also includes all structures or other property belonging to the dwelling unit. A dwelling unit has basic living accommodation, such as sleeping

space, a toilet, and cooking facilities. A dwelling unit doesn’t include property (or part of the property) used solely as a hotel, motel, inn, or similar establishment if it is regularly available for occupancy by paying customers and isn’t used by an owner as a home during the year.

A day of personal use of a dwelling unit is any day that the unit is used by:

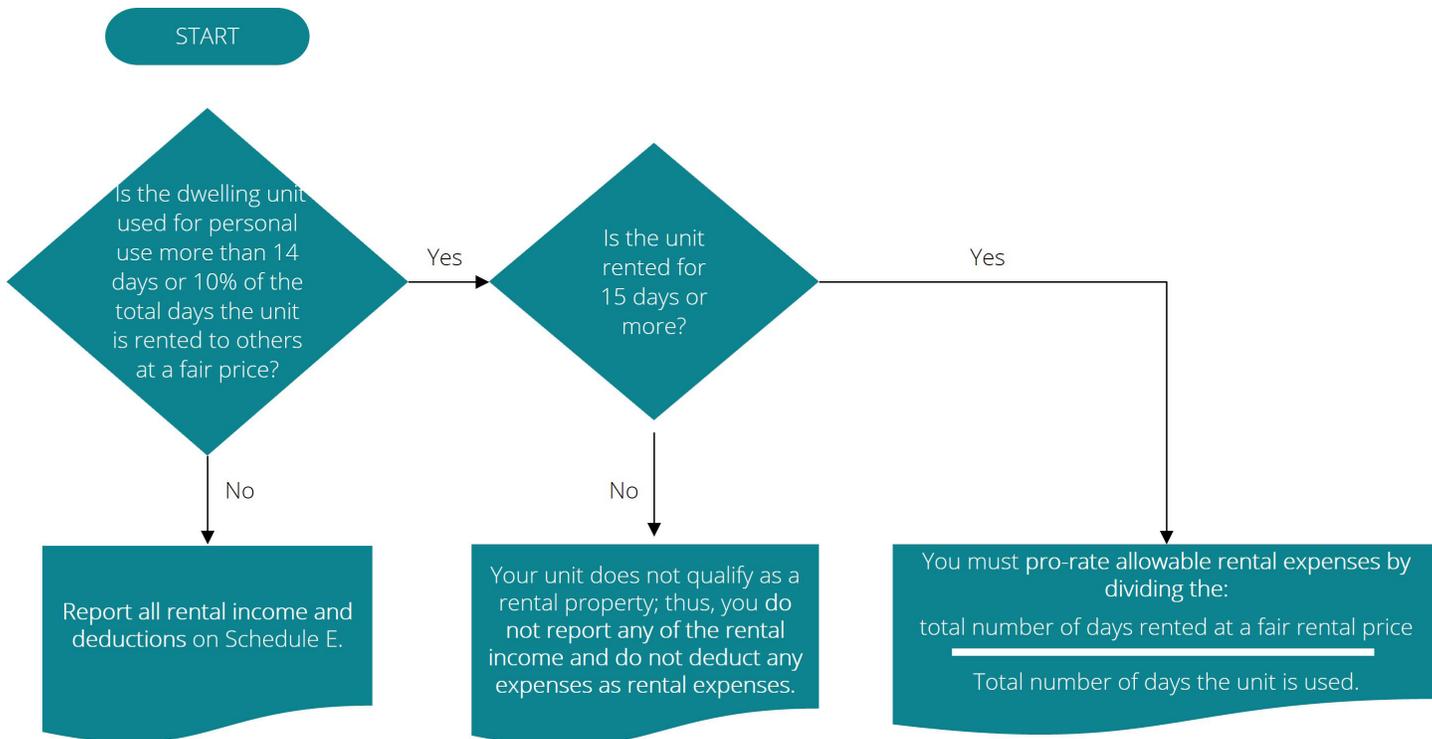
- You or any other person who has an interest in it, unless you rent your interest to another owner as his or her main home and the other owner pays a fair rental value under a shared equity financing agreement;
- A member of your family or of a family of any other person who has an interest in it, unless the family member uses it as his or her main home and pays a fair rental value;
- Anyone under an agreement that lets you use some other dwelling unit;
- Anyone renting at less than fair rental value.

### Example:

During the year, a Host rented out their condominium for 80 days at a fair rental and used it for personal purposes for 20 days. The condominium was unused for the remaining 265 days. Annual maintenance expenses for the property totaled \$2,500. Maintenance expenses of \$2,000 ( $\$2,500 \times 80/100$ ) are allocable to rental use. The balance of \$500 is allocable to personal use and is nondeductible.

Please utilize the flowchart below to determine how to prorate rental expenses. For additional details, an in-depth analysis follows to clarify the proration process.

**PRORATING RENTAL EXPENSES**



**Renting Part of Residence**

If you rent part of your property, you must allocate certain expenses between the part of the property used for rental purposes and the part of the property used for personal purposes. You must only pro-rate allowable rental expenses by total number of days rented at a fair rental price/total number of days the dwelling unit is used. You can deduct the expenses related to the part of the property used for rental purposes, such as the prorated home mortgage interest, mortgage insurance premiums, and real estate taxes as rental expenses on Schedule E. You can also deduct as rental expenses a portion of other expenses related to rental use, such as expenses for electricity or painting the home. See section 2.4 Rental Expense for deductible rental expense. You don't have to allocate expenses that belong specifically to the rental part of the property. For example, if you paint a room that you rent or pay premiums for liability insurance in connection with renting a room in your home, the entire cost is a rental expense. You can deduct depreciation on the part of a house used for rental purposes as well as on the furniture and equipment you use for rental purposes.

The two most common methods for allocating expenses are:

- a) Based on the number of rooms in your home, or
- b) the square footage of your home.

Please contact a tax advisor to understand the expense allocation rules for mixed use properties.

**2.8 Federal Tax Return - Reporting of Income and Expenses**

Gross income reported on Form 1099-K or Form 1042-S is subject to tax on the tax return. Expenses (e.g., mortgage interest, property taxes, Airbnb service fee, alternations/cancellation fee) associated with the rental property can be claimed to arrive at net taxable rental income on Schedule E (Supplemental Income and Loss from Rental Real Estate). For federal tax purposes, net rental income is taxed as ordinary income taxed at progressive rates. The rates may vary depending on your filing status and income level. Additionally, the net income may also be subject to Net Investment Income Tax.

In certain cases where substantial services are provided to the guests, you may be required to report income and expenses on Schedule C (Profit or Loss from Business) and may be subject to self-employment taxes. See section below relating to reporting on Schedule C

Please consult your tax advisor for proper reporting of your income and expenses on your tax return.

### Rental income - Schedule E

Airbnb reports the gross rental proceeds on form 1099-K for US persons (US citizens/Green Card holders/US residents) and on form 1042-S for US nonresidents. US citizens and residents use form 1040 for reporting the gross income from form 1099-K and claiming deductions from the rental income. US nonresidents use form 1040NR for reporting the gross income from form 1042-S and claiming deductions from the rental income.

Unless you are a qualifying real estate professional, a rental real estate activity is a passive activity even if you have actively participated in the activity.

Passive activity – A passive activity is any business activity in which you do not materially participate and any rental activity. The rental of real or personal property is a passive activity in most cases, but exceptions apply. If your rental activity is not treated as a passive activity, you must determine whether it is a trade or business activity and, if so, whether you materially participated in the activity for the tax year.

Schedule E is usually filed by Hosts who do not provide substantial services (housekeeping, linen or concierge services, etc.) to guests renting a property for more than 7 days or guests staying an average of greater than 30 days, not meeting criteria for material participation in rental activity.

Rental income and expenses are reported on Schedule E (Form 1040), Supplemental Income and Loss from Rental Real Estate. The net income or loss from all rental activities is reported on Line 5 of Schedule 1 of Form 1040.

If you have more than three rental properties, complete and attach as many Schedules E as you need to list them. However, answer lines A and B and fill in lines 23a through 26 on only one Schedule E.

*For more information, see the link in the Appendix section to refer to Schedule E instructions on IRS portal.*

### Service income - Schedule C

If you provide substantial services that are beyond those required to maintain the space in a condition suitable for occupancy, primarily for your tenant's convenience, and the compensation for these

services can be said to constitute a material portion of the rent, you are required to report income and expenses on Schedule C (Form 1040) Profit or Loss from Business (Sole Proprietorship). Filing a Schedule C typically applies when the average guest stays of less than 7 days or less than 30 days on average and receives substantial services.

To determine whether income received for services provided should be reported on Schedule C, consult with a tax advisor.

For more information, see the link in the Appendix section to refer to Schedule C instructions on IRS portal.

### Real Estate Dealer or Hotel Owner

Real estate dealers and hotel owners commonly meet the criteria of providing 'substantial services' to guests, meaning services beyond the required elements to simply maintain a space for conditions of occupancy. If the services are more extensive and comprise a larger and more material portion of rent paid, this likely qualifies as substantial and may be determined to constitute Net Earnings from Self-Employment (NESE) subject also to self-employment tax.

If a Host rents a space and provides laundry facilities for guests, this service alone may not constitute being substantial and may be excluded from NESE. However, if the Host provides access to a club, laundry services, and amenities which become a major and material element of rent paid, these activities cannot be excluded and likely should be considered self-employment income reportable on Schedule C. Airbnb Luxe or US Luxury Retreats is an example of rentals which may include top-tier luxury services and amenities to Guests. These substantial services may be material and included in the cost of rent; therefore, these amounts may constitute NESE and require reporting on Schedule C.

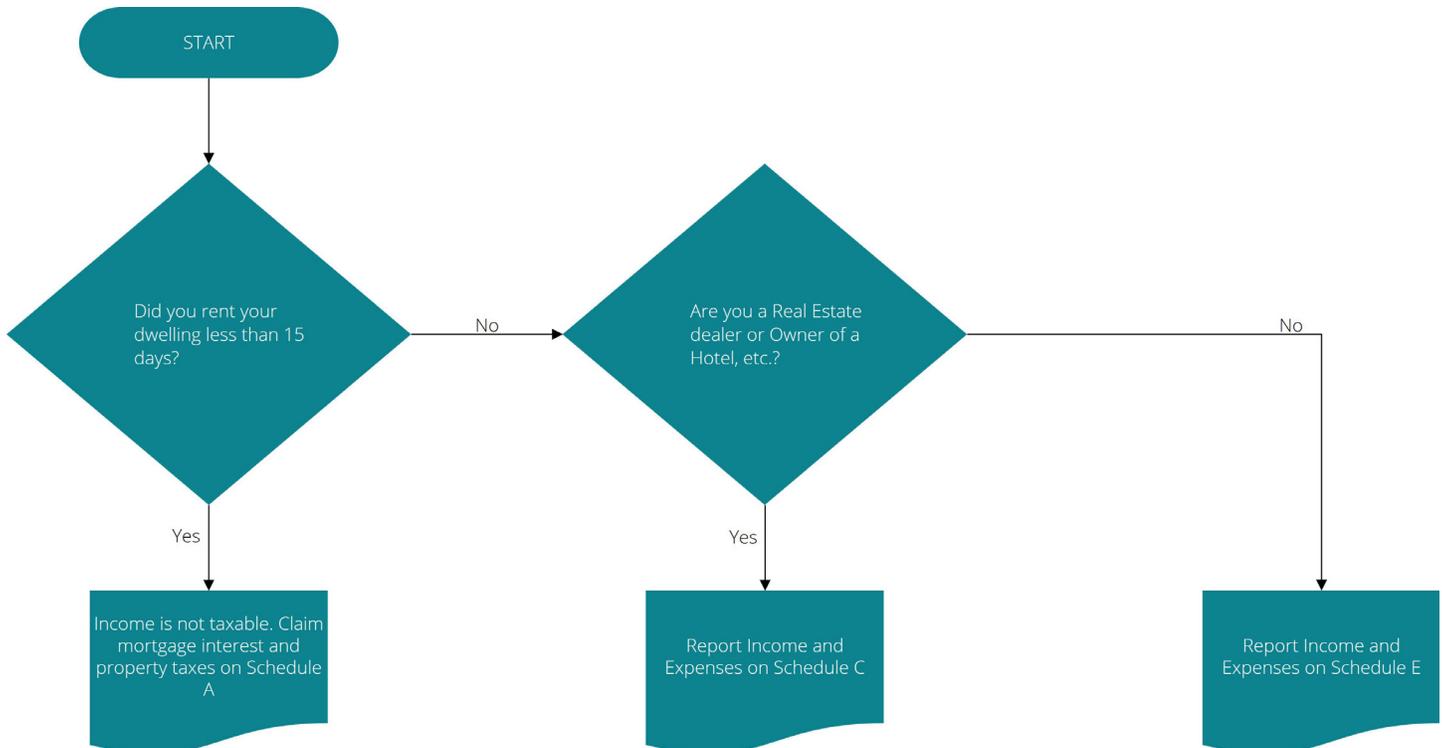
### Real estate professional

If you are considered a real estate professional, rental real estate activities in which you materially participated aren't passive activities. You qualify as a real estate professional for the tax year if you meet both of the following requirements.

- More than half of the personal services you perform in all trades or businesses during the tax year are performed in real property trades or businesses in which you materially participate, and
- You perform more than 750 hours of services during the tax year in real property trades or businesses in which you materially participate.

You report income or losses from rental real estate activities in which you materially participated as nonpassive income or losses, and complete line 43 of Schedule E (Form 1040).

Reporting Income – Which Schedule Will You Use?



**Difference between Schedule C and Schedule E reporting**

**Schedule C**

- Report income or loss from a business you operated or a profession you practiced as a sole proprietor.
- Passive activity loss limitations are not applicable to business activities.
- Schedule C income is subject to self-employment tax.

**Schedule E:**

- Report income or loss from rental real estate, royalties, partnerships, S corporations, estates, trusts, and residual interests in real estate mortgage investment conduits (REMICs).
- Passive activity loss (PAL) limitations are applicable to Schedule E activities. The PALs are not deductible unless you have other income from passive activities to offset them. The PALs can be carried over to the future years to offset future passive incomes. PALs can be fully claimed in the year when the property is disposed of.
- Schedule E may be subject to Net Investment Income Tax.

**2.9 Income received other than rental income**

**Service Provider Income**

Independent contractors and vendors (e.g., photographers, translators, and other service providers) providing services to Airbnb and its Guests will report any gross amounts of \$600 or more received on Schedule C (Form 1040 filing). You will receive a Form 1099-NEC from Airbnb reporting the income from services, e.g., sanitation services for COVID cleaning, landscaping, repair calls, etc. Additionally, a Form 1099-NEC is issued by Airbnb to you to report any income from professional service fees such as amounts paid to architects, accountants, attorneys, contractors, and engineers, etc.

**Miscellaneous Income**

Additional payments from Airbnb (royalties, awards, incentives, bonuses, etc.) outside of rent received are reported to you by Airbnb on Form 1099-MISC. Hosts who have submitted a Form W-9 within US Luxury Retreats (Luxe) will also receive Form 1099-MISC and report the amounts on Schedule C or Schedule E (depending on whether it is a passive activity or business activity). An exception from Form 1099-MISC reporting may apply to payments made to a provider that is a corporation.

For more information, see the link in the Appendix section to refer to the Form 1099-MISC and Form 1099-NEC instructions on IRS portal.

**2.10 Limitation of Rental Losses**

Rental losses are usually classified as passive losses for tax purposes, and such losses can only be used to offset passive income. Passive income is the income you earn from your rental real estate or other passive activities. An activity other than real estate is considered passive if you do not ‘materially participate’ in it. Generally, if you spend at least 500 hours working on real estate activity, you are considered to be materially participating in a trade or business activity for the particular year.

Without passive income, your rental losses become suspended losses and you cannot deduct until you have sufficient passive income in a future year, or you sell the property or otherwise dispose of it.

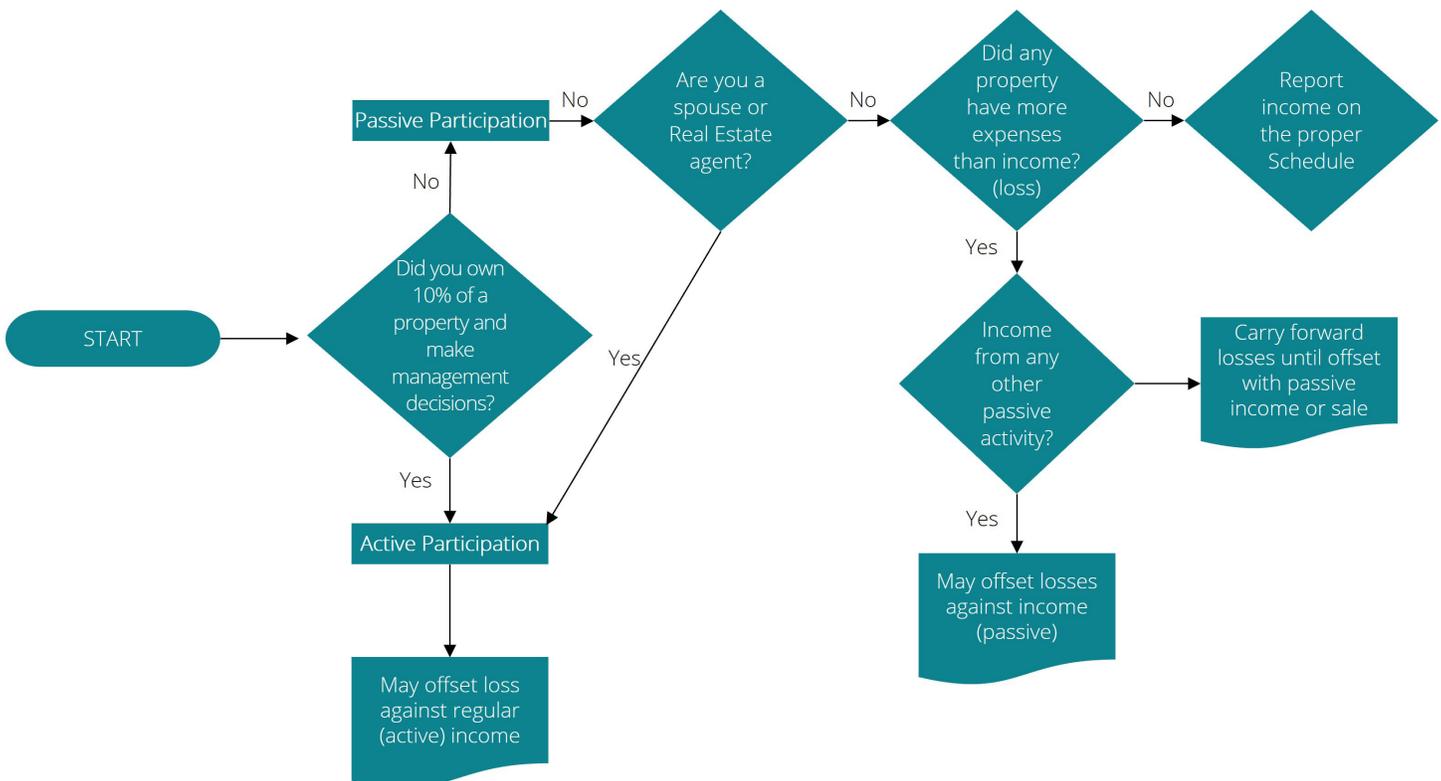
**There are only two exceptions to the passive loss rules:**

- You or your spouse qualify as a real estate agent
- Your income is small enough that you can use the \$25,000 annual loss allowance

Property owners with modified adjusted gross income of \$100,000 or less may deduct up to \$25,000 in rental real estate losses per year if they “actively participate” in the rental activity. You actively participate if you are involved in meaningful management decisions regarding the rental property and have more a 10% ownership interest in the property. This allowance is phased out for taxpayers whose MAGI exceeds \$100,000 and eliminated entirely when it exceeds \$150,000.

The other exception to the PAL rules applies to real estate professionals. Unlike the \$25,000 exception described above, this is a complete exemption from the rules. Landlords who qualify as real estate professionals (actively participating) may deduct any amounts of losses from other non-passive income.

Please see the below flowchart to see what qualifies as active and passive participation in rental activity for treatment of losses.



## 2.11 US state return reporting requirements

Net rental income may also be subject to state income tax based on factors including the respective states' income tax system, residency or domicile of the host and the location of the rental property.

If you own real estate property in a state other than the one in which you live and you have earned money off the rental of that property, you are required to file a nonresident income tax return in that state. This is true even if you live in a state that does not have an income tax. If the property is located in a state that does not impose an income tax but you reside in a state that does impose an income tax, you are only required to report the income and pay taxes in your state of residence.

For example, if a real estate investor is a resident of California but owns a rental property in North Carolina, taxes will need to be paid in North Carolina even though the investor does not live in the state.

At the same time, rental income earned from an out-of-state property is also reported on the state tax return for the state where the investor resides.

Reporting the same rental income to two different states usually does not mean a real estate investor has to pay tax twice. Most states provide a tax credit for taxes paid in another state to help avoid double taxation. State tax credits are usually for the amount of tax paid to the state the real estate investment is located in.

Please note that US state income tax reporting may also apply to non-US taxpayers with properties located in certain US states.

## 3 Other considerations

### 3.1 Non-US Hosts subject to US withholding tax

Non-US Hosts who do not timely provide a W-8ECI may be subject to a 30% withholding tax on earnings from US listings, experiences, or trips. The withholding tax will be reported on a Form 1042-S issued to you each year. Non-US Hosts may file a US tax return (i.e. 1040NR) and apply the withholding tax as a credit against their US tax owed to receive a refund of the withholding tax if applicable applying the concepts discussed above in determining taxable income.

### 3.2 Documentation requirements for expenses

Whether you rent your property fewer than 15 days, a full year, or somewhere in between, retention of all documentation is important. While this physical evidence of rental expense activity will not be submitted, retaining support materials for the time after filing (termed the period of limitations) is necessary should the IRS request substantiation of the stated filing amounts.

Below are examples of the support documentation that should be kept. Be diligent to always include dates and amounts for services on receipts.

<b>Expenses Support Documentation</b>	
1. Receipts for regular services (cleaning, landscaping) and the respective supplies	2. Receipts for ordinary and necessary repairs keeping property in operating condition
3. Advertising/marketing proof for properties on media platforms (social media, TV, radio)	4. Cost of materials to keep property in operating condition
5. Expenses paid by tenant qualified as rental income (e.g., utility bill) and potentially deductible expenses	6. Maintain a running log of days property was rented/unrented versus personal use periods
7. Receipt of paid tax prep fees for rental activity Schedules and Forms	8. Depreciation schedule for first year of improvements or first year of rental activity (noting method of depreciation, dates, asset life, etc.)
9. If actively participating in rental activity, losses greater than \$25,000 where excess may be carried forward	10. Logs of passive activity losses that may be carried forward when not offset against passive income
11. Travel expense log, delineating non-rental and rental differences	12. Insurance on property
13. Proof of property tax or security deposit receipts and forms	14. Mortgage interest paid as noted on Form 1098 or other documentation

The period of limitations can vary based on the nature of the activity, but it allows filers to amend or claim credits/refunds within the time frame. Additionally, the IRS may determine additional tax due or excess tax paid within the same period. Filers who do not maintain substantiation for such income and expense items may be subject to additional penalties and taxes for not having evidence of return information.

### **Airbnb Service Fees**

Airbnb reports the gross rental proceeds on form 1099-K for US persons (US citizens/Green Card holders/US residents) and on form 1042-S for US nonresidents. Airbnb charges a service fee when a booking is confirmed, and the following expenses are automatically deducted from the host payout:

- Airbnb fees
- Applicable taxes

You can download the full transaction history/earning summary of your bookings from the Airbnb portal. To review the service fee for a booking, please go to the transaction history section of your account. Please see the link below for more details.

[Airbnb service fees - Airbnb Help Center](#)

### **3.3 Special situations**

#### **Renting a home to Related Parties**

There are some special issues to consider when a personal residence is rented to a related party. Renting to a related party is not considered personal use if you receive fair value of the rental income and the related party uses the home as a principal residence. However, if you receive rental income that is below the market value, the following needs to be done on your tax return:

Gross rental income is considered taxable and is reported as "other income" on Schedule 1 (Form 1040), line 8 of the tax return, and you will not be able to claim any rental expenses as a deduction when renting to a related party.

Please note that if the property is rented out to a related party, Airbnb's income reporting obligation remains the same. Airbnb is obligated to report the taxable amount on 1099 and any special reporting/exceptions on the tax return (1040/1040NR) should be considered with the advice of a tax advisor.

#### **Renting a home Not-For-Profit**

If you don't rent your property to make a profit, you can't deduct rental expenses in excess of the amount of your rental income. You can't deduct a loss or carry forward to the next year any rental expenses that are more than your rental income for the year. Report your not-for-profit rental income on Schedule 1 (Form 1040). If your rental income is more than your rental expenses for at least 3 years out of a period of 5 consecutive years, you are presumed to be renting your property to make a profit.

### **3.4 Estimated Tax Payments**

If your rentals earn a profit for the year, you are required to pay income tax on the amount. If you expect to owe at least \$1,000 in income tax on your profit, you are supposed to prepay these taxes to the IRS during the year. If Airbnb is required to withhold taxes from you, those can be offset against your estimated tax obligation. Not withholding is mandatory and not optional unless a withholding exception is met. If you do not pay enough tax through withholding, estimated tax payments are required and if not paid, you may be subject to an underpayment penalty.

Estimated tax payments are due four times per year: First Quarter payment on April 15, Second Quarter payment on June 15, Third Quarter payment on September 15, and Fourth Quarter payments on January 15 of the following year. If it looks like your rental profit will be lower than you expected at the beginning of the year, you can lower or even eliminate the payments you make later in the year.

To avoid having to pay an underpayment penalty, your total withholding and estimated tax payments must equal the lesser of either (1) 90% of your tax liability for the current year, or (2) 100% of what you paid the previous year (or 110% if you're a high-income taxpayer).

The easiest way to calculate your quarterly estimated tax payments is to subtract your total expected income tax withholding for the current year from the total income tax you paid last year. The balance is the total amount of estimated tax you must pay this year and avoid an underpayment penalty. You can see your YTD transactions by downloading your transaction history on your Airbnb account. Remember to consider possible expenses you've incurred as part of operating your Airbnb rental (as discussed in Section 5 of this guide).

### 3.5 Timing for issuance of Form 1099-K or 1042-S and US tax return filing deadline

#### 1099K or 1042-S

Form 1099-K will be issued to you by January 31 of the year following the transactions.

Form 1042-S will be issued to by March 15 of the year following the transactions.

Please see the link below for more information.

[When you might receive a tax form from Airbnb - Airbnb Help Center](#)

#### Tax Return Filing Deadlines

- Taxpayer living in the US – April 15
- Six-month extension can be filed to extend the filing deadline to October 15
- Automatic 2-month extension: You are allowed an automatic 2-month extension to file your return if you are a U.S citizen or resident alien and on the regular due date of your return:
  - You are living outside of the US and Puerto Rico and your main place of business or post of duty is outside of the US and Puerto Rico, or
  - You are in military or naval service on duty outside the US or Puerto Rico.

Please see the link below for more information.

[When to File](#)

### 3.6 Appendix

#### Definitions

1. **Residential rental property** – It can include a single house, apartment, condominium, mobile home, vacation home or similar property. These properties are often referred to as dwellings.
2. **Fair Rental Price** – Rental amount that an unrelated person/ entity is willing to pay given similar regional property values. Should the rental amount be significantly less than other properties in the area, the rent would not be considered a fair rental price.
3. **Materially Participate** – Per Treas. Reg. §1.469-5T(a)(1), an individual materially participates in an activity when greater than 500 hours are dedicated to the activity during the taxable year. Additionally, being involved in rental activity on a continuous, regular and substantial basis qualifies an individual as materially participating.

#### Links to IRS Schedule instructions Schedule E

[2022 Instructions for Schedule E \(2022\)](#)

#### Form 4562

[Instructions for Form 4562 \(2022\)](#)

#### Form 6198

[Instructions for Form 6198 \(01/2020\)](#)

#### Form 8582

[2022 Instructions for Form 8582](#)

#### Form 1099-MISC and 1099-NEC

[Form 1099-MISC, Miscellaneous Information](#)

[Form 1099-NEC, Nonemployee Compensation](#)

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