

# Shavano

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A publication exclusively for the residents of Shavano Park

## LIVING



*The Clausewitz Family*

*Debbie Weber Photography*



# Lose Money on a Vacation Rental This Year?



Travel and tourism spending in Texas *dropped 86%* over the spring months. If you own a vacation rental property, you're feeling that sting. Maybe your rental income plummeted and has yet to recover. Perhaps, summer has brought back renters, and revenue has swung back up. Or you took this time to use the property as your own home base to escape the city. Whatever your story, your income on the property will not resemble other years' and will take some careful consideration when tax time arrives.

As the year progresses, ask yourself the following questions:

#### **Did I live at the property myself while I couldn't rent it?**

If you used the property as a residence for *more than 14 days* or

*10% of the total days* you would have rented it to others, your taxes will be affected. As an example, let's say in the spring months during which you were unable to rent the property, you lived there (perhaps to social distance yourself at the beach) or rented it for below fair market value to a friend or family member. Suddenly your rental magically turns into a residential property in the eyes of the IRS, and rental losses cannot be deducted. You may be able to carry forward some rental expenses like mortgage interest and advertising costs; some of your time there may count if you spent it primarily for repairs and maintenance, and you may still be able to deduct personal losses, but your tax obligations will change.

#### **Did my rental income take a big hit but is now recovering?**

While spring break rentals were halted, your revenue may be back up for the summer. Airbnb and Vrbo bookings more than doubled from mid-April to mid-May, according to AirDNA. If you're among those property owners who have experienced this full pendulum swing, carefully strategize around your taxes this year. You may have opportunities to deduct, defer, or accelerate some of that income in ways you wouldn't have considered before.

#### **Did I qualify for disaster relief?**

You may have qualified for a *federal small business grant* or *small business loan* like the U.S. Small Business Administration's (SBA's) Economic Injury Disaster Loan or the Paycheck Protection Program (PPP). *Airbnb hosts* have access to additional relief funds. If you participated in any of these opportunities, you have some work to do to make sure any loans that *can be forgiven* are and also to appropriately account for those funds against your business income for tax purposes.

More traditional bonus appreciation, Section 179 deductions, and higher pass-through deductions may also apply for special circumstances this year. Before we say a fond farewell to 2020, take some time with your tax advisor to review how the pandemic has changed your income and what you might need to consider to grab those few extra tax breaks. Feel free to *contact us* with questions.

*Steven Bankler has more than 43 years of experience in the accounting industry. Steven's expertise lies in consulting, planning, tax, and asset protection as well as exit strategy services for closely-held businesses. He also provides litigation support (both as a testifying expert witness and a consulting expert), business negotiations, and estate planning. Visit [www.bankler.com](http://www.bankler.com) for additional tax strategy tips and to learn more about Steven Bankler, CPA, Ltd.*

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