

Personal Property or Rental Property: How to Get the Most Savings from Your Vacation Home

by Kim M. Larsen EA CTFS

Your vacation home provides you with the benefits of relaxation and time away from the busy day-to-day responsibilities. But, if you play your cards right, it can also be a source of income and tax savings. After all, there's no real reason to leave your vacation property sitting vacant when you're not using it. And, this allows you to take advantage of the repair-day tax benefit.

IRS Rules Regarding Rental Property

You won't be surprised to know that the IRS has a few rules about treating your vacation home as rental property. You see, just because you rent out the property doesn't necessarily mean that it qualifies as a rental. It's all about how the numbers play out. When your vacation home is used for *both* personal use and as a rental property, tax law still classifies your home as personal property if you use the home for personal purposes more than **1) 14 days, or 2) 10 percent** of the number of days it was rented out (at a fair market price) to someone unrelated to you, whichever is greater.^[1]

Here's an example of how such a situation may play out:

Non-family members rent your vacation home for 180 days of the year. You personally stay in the home for 17 days out of the year. This gives you 90.6 percent rental use and 9.4 percent personal use. Regarding taxes, you'll simply treat 90.6 percent of the property as rental property and the remaining percentage as a personal home.^[2]

Figuring in Repairs

So, you've counted the rental days and the days of personal use. But, are any days used for something else? Certainly! If you're renting out your property, you're more than likely taking some days to make repairs. For tax purposes, the repair day counts in neither the personal nor the rental days. It's a non-use day.^[3]

In fact, as long as you spend the majority of any particular day making repairs, it counts as a repair day regardless of anything else that you or anyone else is doing on the property that day.^[4]

To this IRS, this means:

- Any day for which your primary purpose lies in making repairs or providing maintenance to your vacation home, you are not considered to be using the home for personal purposes,^[5] and
- Any time that you make repairs or provide maintenance to your vacation home on a substantially full-time basis for any given day, it is not a personal day. (Now, the IRS does not state this, but according to the law, your repair day counts no matter what the rest of your family is doing during the time you are working on repairs.^[6])

Those regulations sound pretty good, so how do they play out in actual situations? Well, before we explain that, let's just make clear that IRS regulations are not the **law**.

Lawmakers have already passed legislation regarding repair days, and the IRS regulations are partly based on those laws. Here are a couple of examples of what the IRS regulations would mean for your repair activities:







1. Let's say that you and your spouse drive out to your vacation home and arrive on a Thursday evening in order to spend Friday and Saturday making repairs for the upcoming rental season. You eat dinner at the vacation property, but don't start on any work Thursday night. On Friday and Saturday, you spend 8 hours each day working on property repairs. Your spouse helps out with a few tasks, but does not spend the majority of the time working. You both leave a little before noon on Sunday.

Which days count as repair days? All of the days do—Thursday through Sunday.^[7]

1. As another example, you own a mountain in the cabins and rent it out throughout most of the year. For one week, you and your family stay at the cabin, and you spend 3 to 4 hours each day performing maintenance. The rest of the time is spent relaxing, hiking, and fishing. Per the above regulations, you spent substantially full-time working on the cabin, so your entire week is a repair week, not personal use. The relaxation and leisure activities make no difference.^[8]

Note that in each of the examples based on IRS regulations, all the family members (you included) worked at least a little bit in both examples. Under the actual laws regarding these situations, *that is not required*. According to the law, your family does not have to participate in any repairs to your vacation home in order for you to claim those days as repair days.^[9] The IRS may try to make these rules sound vague, but the law is clear—you are entitled to use your repair days when counting personal versus rental use.

1. IRC Section 280A(d) [^]
2. IRC Section 280A(e)(1) [^]

3. [Prop. Reg. Section 1.280A-1\(c\)\(1\)](#) 
4. [IRC Section 280A\(d\)\(2\)](#) 
5. [Prop. Reg. Section 1.280A-1\(e\)\(6\)](#) 
6. [Robert J. Twohey, TC Memo 1993-547; IRC Section 280A\(d\)\(2\)](#) 
7. [Prop. Reg. Section 1.280A-1\(e\)\(7\), Example 3](#) 
8. [Prop. Reg. Section 1.280A-1\(e\)\(7\), Example 4](#) 
9. [IRC Section 280A\(d\)](#) 