

Clients Asked Questions and Answers on rental properties, Gift, and FBAR Taxes

Question 1:

Sch E individual taxpayer own multiple properties, who actively involved in rental properties management. Taxpayers have own W2 incomes, can they claim home office?

Answer:

Generally, No. Landlords cannot deduct home office expenses for property management of rental properties. Unless they have other real estate, activities which are reported on Schedule C, but not on Schedule E.

If they are a real estate professional and report their activity on Schedule C rather than on Schedule E, then yes, they can deduct home office expenses.

From Checkpoint Research or Checkpoint Edge, L-1335 Home office used for administrative and management activities as principal place of business. Federal Tax Coordinator Analysis (RIA):

"For purposes of the rule allowing the deduction of home office expenses where a home office is taxpayer's principal place of business, see L-1325, the term "principal place of business" includes a place of business that meets the following two-part test:

(1) the place of business must be used by the taxpayer for the administrative or management activities of any trade or business of the taxpayer; and

(2) there must be no other fixed location of that trade or business where the taxpayer conducts substantial administrative or management activities of that trade or business, see L-1336 et seq."

Question 2:

If grandma gifts 3 grandchildren \$15k to each one, does she exceed the \$15k gift allowance?

Answer:

The annual exclusion applies to gifts to each donee. In other words, if you give each of your children \$11,000 in 2002-2005, \$12,000 in 2006-2008, \$13,000 in 2009-2012 and \$14,000 on or after January 1, 2013, the annual exclusion applies to each gift. The annual exclusion for 2014, 2015, 2016 and 2017 is \$14,000. For 2018, 2019, 2020 and 2021, the annual exclusion is \$15,000.

Refer also to “IRS-Frequently Asked Questions on Gift Taxes”

<https://www.irs.gov/businesses/small-businesses-self-employed/frequently-asked-questions-on-gift-taxes>

Question3:

How do the Individuals report their Foreign Bank and Financial Accounts, and if they meet the relevant reporting threshold?

Answer:

Reference link is as below

“Comparison of Form 8938 and FBAR Requirements”

<https://www.irs.gov/businesses/comparison-of-form-8938-and-fbar-requirements>