



## Land Rent Primer

In Pine County and the surrounding area, it is not uncommon to find homeowners who rent out their land. Here are some things to keep in mind regarding the tax implications of land rental income.

All land rent must be reported on Schedule E as income.

Legitimate expenses would typically include the following items:

A small portion of your liability insurance (\$100 is typical).

A portion of your real estate taxes attributable to the acreage that is rented out.

Direct costs associated with the land rental. (fencing, gravel to give the renter access).

A small portion of your tax preparation fee (for completing the schedule E).

Deductions will not be allowed for utilities unless on a separate meter for the renter.

Deductions will not be allowed for equipment like tractors, lawn mowers, 4 wheelers, etc.

If your income crosses over from being a landlord to being a farmer, you will need to find a tax professional who specializes in farm tax preparation.

Keep in mind that land rented out is business use property and is subject to capital gain tax upon sale. If you use your land for personal purposes only, you may be able to sell it as part of your home and exclude up to \$250,000 (\$500,000 married filing joint) of gain.

Todd Fogelberg, EA

165 5th St SE Pine City, MN 55063 Tel (320) 629-4745 Fax (516) 941-0225  
www.toddstaxservice.com  
todd@toddstaxservice.com