

RENTAL PROPERTY CHECKLIST

The following is a list of things to consider when renting your property:

- Limited Liability Corporation** – It is advisable to create an LLC to own the home so that any liabilities arising from the rental situation could be limited to the assets within the LLC.
- Separate Bank Accounts** – If you are using the LLC structure, you may be required by law to use separate bank accounts for the LLC. Even if you are not using the LLC structure, it is advisable to have separate bank accounts for the income and expenses of the rental property so that you can keep these funds separate from your personal bank accounts.
- Consider Hiring an Agent** – Agent's will typically charge a fee for this service, but can be very helpful in marketing the property to prospective tenants, screening tenants to make sure they are qualified, handling the lease agreements, and even assist with maintenance calls and cleaning the property between rentals.
- Agreement** – Regardless of whether you are using an agent, a rental agreement should be signed between yourself (or the LLC) or the Rental Agent and the tenants. This should state the rent, duration of the rental, responsibilities of both parties, amount of security deposit, etc.
- Security Deposits** – If your agent is not able or willing to hold the deposit from your tenant, you should be aware that this money needs to be held separately from both your personal accounts and the rental property assets and accounts. Certain states even require a special escrow account and there are requirements for specific amounts of interest to be paid.
- Property and Casualty Insurance** – You should make sure your property and casualty insurance agent is aware that you are renting the home. This will typically increase your premium on your homeowner's insurance for the property, but this is necessary so that you are covered for any incidents that may occur. You should also make sure your Umbrella Liability Insurance Coverage is adequate. This would include making sure the underlying limits of coverage are met by your homeowner's policy and that the amount of coverage is also adequate.
- Tax Deductions** – It is important to track and keep receipts for all rental-related expenses, including advertising, commissions, maintenance, depreciation, utilities, taxes and mortgage interest, travel to the property for business purposes, improvements, etc. You will also need to keep track of the number of days you rent the property and the number of days you use the property for personal use. The amount of rental days and personal use days will determine how deductions can be applied. As with all tax advice, you should consult with your accountant and/or tax advisor before making any tax related decisions.
- Prepare Your Rental Property** – Make sure to take an inventory of important items and remove anything that is not necessary or of great value. You should also check for and repair any areas that could be dangerous in order to limit the potential for liability.
- Inform Your Neighbors** – You may want to inform your neighbors that the property is being rented so they are not alarmed to see strangers in your home.