Augusta Rule

Overview

Homeowners can rent out their personal residence for up to 14 days per year without having to report the rental income on their tax return. To take advantage of this, the business owner holds meetings, retreats, or events at their home and rents it to their business.

Description

The business deducts the rental payment as a legitimate business expense, while the homeowner receives the rental income completely tax-free, as long as the rental period is 14 days or less in a year. There's no need to report the income on Schedule E, and no W-9 or 1099 is required between the business and the homeowner.

Implementation

1. **Confirm Eligibility**
   Primary residence: The Augusta Rule only applies to your personal residence (main home, vacation home, secondary home etc.). Days rented: You must rent the property for 14 days or fewer during the year

2. **Host a Business Event at Your Home**
   Use your personal residence for a legitimate business purpose such as: strategy sessions, planning retreats, or client meetings. The event should involve actual business activities that benefit your company.

3. **Determine a Fair Market Rental Rate**
   Research local short-term rental rates (e.g., Airbnb, hotels, or event venues) to determine a reasonable daily rental value for your home. **Document at least three comparable rates** to support the amount your business will pay.

4. **Draft a Lease Agreement**
   Prepare a written rental agreement between you (the homeowner) and your business. It should outline the rental dates, the purpose of the event, and the agreed-upon rental rate. This ensures clear intent and defensibility in the case of an audit.

5. **Pay and Document the Expense**
   Have your business issue a check or transfer to you personally for the use of your home—up to 14 days per year. Keep copies of the check, the rental agreement, and a written agenda or meeting minutes from each event.