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was added to allow personal residences to be rented for 14 days or less with the rental income not includible in gross income.

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*By Diana Crawford, CPA.*

Each spring, the blooming of the color-popping azaleas signals the time for arguably one of the greatest golf tournaments, the Masters. Augusta National Golf Course in Augusta, GA, is host to the first major golf tournament of each season in the first weekend in April.

More impactful for tax advisors is that the history behind the tournament led to a section of the IRC code that provides for tax-free income for property owners across

the U.S. throughout the year. Originally included in [Public Law 97-455](#) passed in

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purposes.

Tax savings from the Augusta rule are best taken when planned prior to the deduction. Planning of days and documentation makes using this tax strategy considerably more difficult to substantiate after the rental has occurred. Considering the corresponding regulations that come in to play, what is the practical application?

1. The tax savings opportunity is not available to sole proprietorships or single member LLCs who are disregarded entities. Most businesses that file a tax return separate from inclusion in an individual return are eligible.
2. The business rents "a dwelling unit used by the taxpayer as a residence." Dwelling units include primary personal residences, second homes, vacation properties, apartments, boats, or other types of personal residences. Keep in mind, the home cannot otherwise already be the primary place of business.
3. The homeowner can rent the home to the business for 14 days or less. Rentals of 15 days or more do not qualify. The 14 days does not have to be sequential, but can be.
4. The business purpose for the use of the personal residence must be documented. Documentation to support the business purpose such as meeting agendas, minutes, attendees, and details of the business conducted, should be maintained. A monthly management business meeting, along with two special functions, would easily reach the total of 14 days.
5. The rental rate the business is charged must be a fair rental amount for the location, size, and period rented. Comparable rentals of local similarly sized hotel meeting rooms or local similar properties are needed to support the reasonableness of the rates charged. Consideration can be given to fair rental rates during events as locations, such as a much higher rental rate during the Masters.

6. An invoice should be submitted to the business to support the payments made for

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to use their personal residences for business purposes and receive tax free income as a result. Helping your clients plan ahead to take advantage of the Augusta rule is a great tool in your [tax advisory](#) bag!

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Diana Crawford, CPA, is managing partner of Crawford, Merritt & Company, a firm in the Atlanta area that serves unique businesses with unique challenges. She is a business coach who champions her clients to succeed, and a networking titan who has built a firm through relationships. Diana has more than 30 years' experience in bookkeeping, tax, government auditing, and fraud investigations. She has authored and delivered education/certification courses on QuickBooks and Intuit ProConnect ProSeries for Intuit, the North Carolina Association of CPAs, the Georgia Society of CPAs, the U.S. Department of Health and Human Services, and the U.S. Department of Labor. Find Diana on Twitter [@DianaCrawford](#).

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