

Self-Rental and Net Investment Income Tax



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For tax years beginning after January 1, 2014, there are final regulations in effect which address the application of the net investment income tax (additional 3.8% on investment income, also referred to as “Medicare Tax”) to self-rentals.

If a taxpayer rents a property for use in a business in which the taxpayer materially participates, the rental activity is considered “self-rental” under regulation 1.469-2(f)(6) and is converted from passive rental income to nonpassive income. Regulation 1.1411-5(B)(S)(i) clarifies that due to the conversion from passive to nonpassive, the self-rental income is NOT considered investment income and, therefore, is NOT subject to the net investment income tax. Through properly classifying your self-rental income, you may save yourself from paying this tax unnecessarily.

If you have any questions regarding these rules, please contact your tax advisor or Faith Crump at 502-589-6050 or fcrump@deandorton.com.

[View Faith Crump's Bio](#)