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# Personal Investor: Tax on cottage rental income never takes a holiday

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This is the time of year many cottage owners line up renters to bring in extra income. It's also the time of year to claim income from last year's cottage rentals.

That income is added to other income generated throughout the year, which means total income from a vacation property could push an individual into a higher tax bracket.

Fortunately, expenses related to a cottage can be claimed to offset the tax bill. Those expenses range from promoting the property online, to maintenance and repairs.

However, things can get complicated when cottage owners use the property for part of the year. As an example, Turbo Tax presents a scenario where a cottage is rented out for 13 weeks during the summer and used by the owners for the rest of the year:

- Since the cottage was rented for a quarter of the year, annual expenses such as property taxes and insurance may only be deducted at the one-quarter rate.

- Depending on your electricity billing cycle, the math may be simpler for this one. You can claim the full power/hydro expense for the days the cottage is rented.

- If you pay someone to tend to the yard during the rental period, save the receipts. That's an eligible expense at tax time. If you take on these duties yourself, your labour is not a qualifying expense, although you could claim out-of-pocket expenses such as gas for a mower or repairs. If you pay a professional, the entire cost may be deducted.

- Expenses – such as the cost of significant repairs and maintenance, or the purchase of an appliance – are considered to be capital costs, which are deducted over time at a rate set by the CRA.

residence at some point. Capital gains on a principal residence are not taxed, but if the CRA considers your cottage an income-generating business, the capital gains exemptions could be in question. It might be a good idea to consult a tax professional.