Schedule E – Best Practices for Assembling Data

Schedule E is used to report supplemental income such as rental properties, royalties, partnerships, S-corporations, estates, and trusts. Organized records help ensure accuracy, maximize deductions, and reduce audit risk.

Filing Dos and Don'ts

- DON'T give individual receipts or bank statements to your tax team
- DO tally up receipts & provide totals by expense category
- DO keep records and receipts for each year in case you are audited

Rental Property Income

- Year-to-date rent collected by property
- 1099-MISC forms for rental income if applicable
- Security deposits received or returned (not always income)
- Any reimbursements received from tenants

Tip: Maintain separate bank accounts for each rental property if possible.

Rental Property Expenses

- Advertising and Marketing (listing fees, ads)
- Auto and Travel (mileage log for trips to the property)
- Cleaning and Maintenance
- Commissions Paid (property managers, leasing agents)
- Insurance (landlord policy, hazard, flood)
- Legal and Professional Fees (attorney, accountant, property manager)
- Mortgage Interest and Property Taxes (Form 1098, county records)
- Repairs (ordinary repairs, not improvements)
- Supplies (lightbulbs, tools, small equipment)
- Utilities if landlord-paid

Reminder: Improvements such as new roofs, appliances, or remodeling must be capitalized and depreciated, not deducted in full.

Depreciation and Assets

- Closing statement (HUD-1 or CD) for newly acquired property
- Cost basis records including purchase price and improvements
- Prior year depreciation schedules
- Dates and amounts for capital improvements

Partnerships, S-Corps, Trusts, and Estates

- Schedule K-1 forms (all pages)
- Supporting statements attached to K-1s
- Prior year basis schedules if available

Royalties

- 1099-MISC or 1099-INT forms reporting royalties
- Supporting contracts, statements, or agreements

General Best Practices

- Keep records organized by property or activity
- Store closing documents, leases, and contracts securely
- Save both digital and paper receipts
- Use accounting software or spreadsheets for income and expense tracking
- Keep a mileage log for property management-related travel

Accurate, organized records mean faster preparation, maximum deductions, and peace of mind at tax time.