PRIME

AUGUSTA RULE



Since 1934, the Masters Tournament has been held at the Augusta National Golf Club in Augusta, Georgia. Residents of Augusta saw the financial opportunity of tournament attendees coming from far and wide who were in need of lodging. Sick of paying taxes on the temporary rental income they were receiving, these residents began to lobby for a tax exemption in the 1970s. Thus Section 280A(g) of the Internal Revenue Code was born, allowing homeowners to rent out their homes for up to 14 days per year without paying taxes on the income.

Cool story... What does that have to do with me?

Great question. The Augusta Rule is a common income shifting strategy for business owners. **Essentially, you can create a tax deduction for your business by renting out your own home for business purposes!** Not only do you have to pay less in taxes through your business (because of the deduction), but you get to keep the money and not pay taxes on it (because of the August Rule)! There are a few stipulations for this, but it's a relatively straightforward way to keep more money in your pocket.

QUALIFICATIONS

There are a few qualifications to be aware of when considering utilizing the Augusta Rule:

Business Qualifications

- Essentially any business entity can participate in this strategy, including a sole proprietorship, LLC, corporation, or partnership.
- The only requirement for the business is that it should be completely separate from your personal finances, meaning it should be running under a formalized legal entity structure with a tax ID number and unique bank accounts.

Home Qualifications

- The home cannot be your primary place of business.
- The home can be a primary or secondary residence.
- If the property is not your primary residence, it must still be used personally for at least part of the year.

IMPLEMENTATION

For a detailed implementation checklist and other helpful resources, scan the QR code below or click here.

Rental Agreement Qualifications

- To get the full benefit of this strategy, the property must be rented for **14 days or less** per year.
- The reason for renting the space must be for a legitimate business purpose. The business needs to be able to substantiate this claim.
- The rental amount must be equal to the fair market rental rate for your home.



WHAT WOULD THIS ACTUALLY LOOK LIKE?

Let's look at an example.

You own an LLC and use your home to host 10 business meetings throughout the year. Each rental session lasts one day, and based on comparable rates, you determine a fair rental value of $1,000 per day. Your business pays you $10,000 total, which you do not report as income on your personal taxes, but the business does report as a deduction on theirs.

Easy enough, right? Now, find a reason to take things out of the office and into your home!

GOT QUESTIONS?

Email **decoder@primecorporateservices.com**
or contact **(855) 577-4639** for more information.

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