

## Real Estate Tax Deductions – Implementation Checklist & Tax Planning Guide

### For Alberta Real Estate Investors Working with BOMCAS Canada

---

#### Annual Tax Deduction Tracking Checklist

##### Mortgage Interest & Debt

- Obtain mortgage statement showing annual interest paid (separate from principal)
- Document that borrowed funds were used for rental property (loan agreement)
- For mortgages covering both personal and rental property, calculate rental percentage
- Record interest payment amounts by property (if multiple properties)
- Keep mortgage documents supporting income-generating purpose

##### Property Taxes

- Obtain property tax notice from municipality
- Record property tax payment dates and amounts
- For partial-year rentals, calculate prorated amount (e.g., 6 months = 50% deduction)
- For partial-use properties, document % of property used for rental
- Calculate deductible amount: Total property tax  $\times$  % rental use
- Keep property tax payment receipts

##### Property Insurance

- Obtain insurance policy documents
- Record annual premium amount
- For multi-year policies, determine amount applicable to current tax year
- Keep insurance premium invoices and payment receipts
- For properties with multiple coverage types, allocate to rental-only coverage

##### Repairs & Maintenance

- Maintain receipt/invoice file for all repair expenses

- Document each repair with vendor name, date, amount, description
- Distinguish current repairs (full deduction) from capital improvements (depreciated)
- Keep vendor invoices and canceled checks/payment confirmations
- For large repairs, obtain written quote to support reasonableness
- Record labor costs separately from materials
- Do NOT claim value of your own labor/sweat equity

Current maintenance examples to track:

- Plumbing repairs
- Painting/repainting
- Fixture replacements
- Lawn maintenance & landscaping
- Cleaning/janitorial services
- HVAC servicing
- Appliance repairs (not replacements)

Do NOT deduct as current repairs (These are capital):

- New roof (capital improvement)
- New HVAC system (capital improvement)
- Renovations/additions
- New appliances
- Finished basement

### **Condo/Property Management Fees**

- Obtain property management agreement
- Record monthly/annual management fee amounts
- Separate management fees from capital reserve contributions
- For condo fees, identify deductible operating portion vs. non-deductible reserve

- Keep all fee invoices and payment receipts
- For partial-year services, prorate to deductible period

### **Utilities (If Landlord Pays)**

- Confirm landlord is responsible for utilities per lease terms
- Obtain copies of utility bills
- Record actual utility payments made
- For multifamily properties, allocate utilities proportionally if partially owner-occupied
- Keep utility bills and payment confirmations
- Track: electricity, water, sewer, gas, garbage, etc.

### **Professional Fees**

- Collect invoices for accounting services
- Collect invoices for tax preparation (Form T776)
- Collect legal fee invoices related to rental activity
- Document purpose of each professional service
- For mixed personal/rental services, allocate proportionally to rental
- Keep all professional service agreements and invoices

Types of professional fees to track:

- Tax preparation (\$300-\$800)
- Accounting/bookkeeping (\$500-\$1,500)
- Legal advice - leases, disputes, evictions (\$1,000-\$3,000)
- Property valuations/appraisals (\$400-\$800)
- Auditor/compliance review

### **Advertising & Marketing**

- Track all expenses for tenant recruitment
- Obtain invoices from online listing platforms (Kijiji, rental sites)

- Keep newspaper advertisement receipts
- Document realtor/tenant-finding service fees
- Keep photography and professional photography invoices
- Keep signage and promotional material costs
- Only count advertising while property is available for rent

### **Capital Cost Allowance (CCA) Calculation**

- Determine property purchase price
- Add closing costs (legal fees, land transfer tax where applicable)
- Obtain property tax assessment showing land vs. building value
- Document allocation between depreciable building and non-depreciable land
- Identify CCA class:
  - Standard buildings = Class 1 at 4%
  - Purpose-built residential rental (2024-2030) = Class 1 at 10%
  - Equipment/furniture = Class 8 at 20%
- Calculate depreciable amount (building value only)
- Apply half-year rule for year of acquisition (50% of normal rate)
- Track undepreciated capital cost annually
- Keep all property purchase documents and appraisals
- Decide CCA strategy: Claim maximum vs. defer for optimization

### **CCA Tracking by Year:**

- Year 1 - Depreciable value: \_\_\_\_\_  $\times$  Rate \_\_\_\_\_ %  $\times$  50% = \_\_\_\_\_
- Year 2 - Remaining UCC: \_\_\_\_\_  $\times$  Rate \_\_\_\_\_ % = \_\_\_\_\_
- Year 3 - Remaining UCC: \_\_\_\_\_  $\times$  Rate \_\_\_\_\_ % = \_\_\_\_\_
- [Continue annually]

### **Other Deductible Expenses**

- Bank charges on rental account
- Interest on borrowed funds (for capital improvements)
- Travel mileage to/from rental property
  - Track business mileage (inspection, maintenance, rent collection)
  - Claim actual vehicle expenses or use CRA mileage rate (\$0.69/km 2025)
- Office supplies and software for rental management
- Home office utilities (prorated to rental use percentage)
- Salaries/wages if employing maintenance staff
- Uncollectible rent (if previously included in income)

---

### **Form T776 Preparation Checklist**

#### **Before Completing Form**

- Gather all deduction documentation from checklist above
- Organize receipts and invoices chronologically
- Create summary spreadsheet of all expenses by category
- Calculate totals for each deduction category
- Determine if property was 100% rental or partially owner-occupied
- For mixed-use properties, calculate percentage rental vs. personal

#### **Completing Form T776**

- Line 1: Gross rental income - Total rent collected (before expenses)
- Line 2: Security deposits retained - Only if kept (not returned)
- Lines 3-25: Deductible expenses
  - Enter total amount in "Total expenses" column
  - If mixed-use property, enter personal portion in "Personal use" column
  - Deductible amount = Total - Personal use

- Calculate net income = Gross income - Total deductible expenses
- CCA section - Enter total CCA claimed (optional)
- Final net rental income = Net income - CCA

### **Filing Form T776**

- Complete all required fields
- Attach supporting documentation (T776 instruction guide available on CRA website)
- Sign and date form
- Include copies of key receipts/documentation
- File by April 30 following the tax year
- Keep copy for your records
- For multiple properties, file separate T776 for each property

---

### **Documentation & Record-Keeping System**

#### **Recommended Organization Method**

Physical or Digital File System by Category:

 Rental Property - [Property Address]

 Annual Records

 2026

 Mortgage & Debt

- Annual interest statement

- Mortgage documents

 Property Taxes

- Property tax notice

- Payment receipts

 Insurance

- Policy documents

- Premium invoices

 Repairs & Maintenance

- Vendor invoices

- Payment receipts

- Receipts organized by date

 Management & Professional Fees

- Service agreements

- Monthly invoices

- Payment documentation

 Utilities

- Monthly bills

- Payment records

 Advertising

- Marketing invoices

- Listing receipts

 Other Expenses

- Travel logs

- Office supplies receipts

- Bank charges statements

 CCA Documentation

- Property purchase agreement

- Property assessment

- Appraisal

- Improvement documentation

## Digital Tracking Tools

- Use spreadsheet to track all expenses by month/category
- Use accounting software (QuickBooks, FreshBooks, Wave) for expense tracking
- Use mobile app (CRA My Account) to track tax deadlines
- Use document scanner to digitize receipts
- Use cloud storage (Google Drive, Dropbox, OneDrive) for backup

## Record Retention

- Retain all documentation for minimum 6 years from filing date
- For CCA-related documents, consider retaining indefinitely (needed for future sale)
- Create backup copies (digital and/or hard copy)
- Organize in chronological order for easy retrieval

---

## Capital Gains & Disposition Planning (For Future Property Sales)

### When Selling Rental Property, Calculate:

1. Capital Gain = Selling Price - Adjusted Cost Base (ACB)
  - Selling price: \$\_\_\_\_\_
  - Original purchase price: \$\_\_\_\_\_
  - Add: Capital improvements made: \$\_\_\_\_\_
  - Add: Closing costs at purchase: \$\_\_\_\_\_
  - Subtract: Proceeds of sale expenses (realtor, legal): \$\_\_\_\_\_
  - = Adjusted Cost Base: \$\_\_\_\_\_
  - Capital Gain = Selling Price - ACB: \$\_\_\_\_\_
2. Taxable Capital Gain (2026 rates)
  - If gain  $\leq$  \$250,000: Taxable = Gain  $\times$  50%
  - If gain  $>$  \$250,000:

- First  $\$250,000 \times 50\% = \$$  \_\_\_\_\_
- Remaining  $\times 66.67\% = \$$  \_\_\_\_\_
- Total taxable capital gain:  $\$$  \_\_\_\_\_

### 3. CCA Recapture

- Total CCA claimed over ownership:  $\$$  \_\_\_\_\_
- CCA recapture = Lesser of:
  - Original building cost, OR
  - Selling price of building portion
- Minus undepreciated capital cost remaining
- = CCA recapture amount:  $\$$  \_\_\_\_\_
- (Added to income as fully taxable - not subject to 50%/66.67% inclusion rate)

### 4. Total Taxable Income on Sale

- Taxable capital gain:  $\$$  \_\_\_\_\_
- Plus CCA recapture:  $\$$  \_\_\_\_\_
- = Total taxable amount:  $\$$  \_\_\_\_\_
- $\times$  Your marginal tax rate (2026): \_\_\_\_\_ %
- = Estimated tax owing:  $\$$  \_\_\_\_\_

### Tax Planning for Sales

- Time sale to split gains across two tax years if gain exceeds  $\$250,000$
- Consider carrying forward unused losses from other years
- Consult tax professional before sale for optimization
- Plan for CCA recapture (can be substantial for long-held properties)

---

### Short-Term Rental Compliance Checklist (If Applicable)

#### Municipal Requirements (CRITICAL)

- Research your municipality's short-term rental regulations
- Confirm STR is permitted in your location/property type
- Obtain required business license/permit
- Obtain required STR license (if applicable)
- Maintain proof of compliance documentation
- Verify all requirements annually (regulations change)

Key Alberta municipalities:

- Calgary - Check [Calgary.ca](http://Calgary.ca) for STR requirements
- Edmonton - Check [Edmonton.ca](http://Edmonton.ca) for STR requirements
- Other municipalities - Check local municipal website

### **CRA Form T776 Reporting**

- Clearly identify property as short-term vs. long-term rental
- Document rental income and days rented
- Document rental expenses
- For non-compliant STRs: CRA denies ALL expense deductions

Compliance = Full deductions

Non-compliance = No deductions, pay tax on gross income

---

### **Tax Planning Strategies for 2026**

#### **CCA Optimization Strategy**

- Assess current and future rental income
- Determine if claiming maximum CCA benefits you this year
- Consider deferring CCA to higher-income years
- Plan multi-year CCA strategy for portfolio of properties
- Understand CCA recapture timing for future sales

## **Capital Gains Planning**

- If planning property sale generating >\$250,000 gain, consider timing
- Could split gain across two years to avoid 66.67% inclusion rate on portion
- Calculate potential tax savings from timing strategy
- Work with tax professional on implementation

## **Quarterly Tax Planning**

- Each quarter, estimate annual rental income and expenses
- Assess whether you'll be able to claim CCA or should defer
- Identify expense deductions you might be missing
- Plan for quarterly tax payments if required (rental income only, no withholding)

---

## **Working With a Tax Professional**

### **Information to Provide Your Accountant**

- Summary of all rental properties (address, purchase date, price)
- For each property:
  - Annual rental income collected
  - All expense documentation organized by category
  - Property tax assessment (for CCA)
  - Any capital improvements made
  - Mortgage details (for interest deduction)
  - Property management information

### **Questions to Ask Your Accountant**

- Should I claim maximum CCA this year or defer?
- Are there deductions I'm missing?
- Is there a more tax-efficient way to structure my rentals?

- How should I prepare for potential property sales?
- What documentation do I need to maintain?
- Are there any red flags in my tax return that might trigger audit?

### **Benefits of Professional Help**

- Ensures compliance and proper documentation
- Identifies deductions you might miss (worth \$3,000-\$8,000+ annually)
- Provides audit defense documentation
- Plans CCA and capital gains strategy
- Optimizes multi-property portfolios
- Keeps you updated on regulatory changes (like 2026 capital gains rates)

Typical cost: \$1,500-\$3,000/year

Typical benefit: \$4,000-\$15,000+ in tax savings and risk reduction

---

### **BOMCAS Canada Services**

For assistance with:

- Tax deduction analysis and documentation
- Form T776 preparation and CRA compliance
- CCA calculations and depreciation strategies
- Capital gains planning for property sales
- Short-term rental tax compliance
- Multi-property portfolio optimization

Contact BOMCAS Canada:

- Email: [info@bomcas.ca](mailto:info@bomcas.ca)
- Phone: 780-667-5250
- Website: <https://bomcas.ca>

- Location: Sherwood Park, Alberta

---

Checklist Version: 1.0 (2026)  
Last Updated: December 2025