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RENTAL PROPERTY 2026

Repair or *improvement?*

Ask three questions about the work you paid for on your rental.

1

Does it better it?

Fixes a defect that was there when you bought it, enlarges it, or adds capacity or quality.

2

Does it restore it?

Replaces a major component or substantial structural part, or rebuilds after a casualty.

3

Does it adapt it?

Converts the property to a different use than when you started renting it.

Yes to any: improvement

Depreciate over 27.5 years (residential rental), from the month it's placed in service. Unless a safe harbor below applies.

No to all: repair

Deduct on Schedule E in the year you pay it. Cash basis: pay by Dec. 31, 2026 for a 2026 deduction.

SAFE HARBORS: DEDUCT IMPROVEMENTS NOW	LIMIT
De minimis (elect each year) Per invoice or item; $5,000 with an applicable financial statement	$2,500
Small taxpayers (elect each year) All repairs + improvements on a building with basis of $1M or less; gross receipts $10M or less	Lesser of $10K or 2%
Routine maintenance Recurring work you expect more than once in 10 years; not betterments	10-year test
Elections due with your return Statement attached to the timely filed return, including extensions	Apr. 15, 2027

Merchant
FINANCIAL ADVISORY

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General information, not tax advice. Facts checked Nov. 16, 2026.