

Re: Simple question on tax on unearned income

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Peder B. Pels wrote:

How is income from rent (typically called "unearned income") taxed? Is it added to the usual 6-step income taxation staircase, together with labor income, or is it taxed separately, like capital gains?

Income from rent is taxed like any other income. But net income may be quite low since owners of rental property typically depreciate the buildings as deductions from income. Also, they are not taxed on rent that goes to the bank as mortgage payment. I know the owner of an \$8 million value apartment complex who pays zero income tax although he spends a good deal of rent on personal consumption.

Capital gain tax is levied when the property sells.

Mark M.

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