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The Augusta Rule

A White-Glove Compliance Package for S-Corporation Owners

Internal Revenue Code §280A(g)

Sec. 280A(g) · 14 Days · Tax-Free Rental Income

2026 Edition

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PACKAGE GUIDE

How to Use This Package

A practical companion built to satisfy the Tax Court — and your future self.

This package contains everything an S-corporation owner needs to use the Augusta Rule the way the Internal Revenue Code intended — tax-free rental income from a personal residence, paired with a deductible business expense at the entity level — and to withstand examination if the return is questioned. It opens with a plain-language primer on §280A(g), explains the four traps that have sunk taxpayers in recent Tax Court cases, and then gives you the actual paperwork: a rental agreement, a board resolution, meeting minutes and agenda templates, a fair-market-value worksheet, an invoice, a Form W-9, a payment log, an annual day-count tracker, an annual summary, and a two-page audit-defense checklist. Each fill-in-the-blank document is drafted by a tax attorney and is ready to use.

How to read it

Read Sections 1 and 2 first. They walk through the statute, the case law, the documentation stack the Tax Court now expects, and the most common mistakes. Once you understand *why* each piece of paper exists, the templates that follow stop looking like bureaucratic ballast and start looking like the audit defense file they are. Then turn to Sections 3 through 13 and complete the templates as you actually use the strategy throughout the year — not in December, and not after a notice arrives.

HOW THIS PACKAGE IS ORGANIZED

Sections 1–2 are the educational primer: the law, the math, the audit history, the rules to follow.

Sections 3–13 are the fillable forms: rental agreement, board resolution, meeting minutes and agenda, FMV worksheet, invoice, Form W-9 instructions, payment log, annual day-count tracker, annual summary, and the audit-defense checklist with FAQ. Print the templates or fill them on a tablet — what matters is that they are completed *before* each rental event, not reconstructed afterward.

IMPORTANT — WHAT THIS IS AND WHAT IT ISN'T

This is educational reference material. It is not legal or tax advice tailored to your specific facts. The Augusta Rule looks simple but interacts with §162 reasonableness doctrine, §469 self-rental rules, the §199A QBI deduction, accountable-plan reimbursements for home office, state-conformity quirks, and your entity's own governance documents. Engage a credentialed tax professional — ideally one with IRS representation authority — before relying on this strategy on a return.

SECTION 1

The Law in Plain English

What §280A(g) actually says, who it applies to, and what changes in 2026.

The Augusta Rule is the informal name for Internal Revenue Code §280A(g), enacted as part of the Tax Reform Act of 1976. The provision is short. It says that if a dwelling unit is used during the taxable year by the taxpayer as a residence and is rented for fewer than fifteen days, no deduction is allowable for the rental use, and the income from the rental is excluded from gross income. The everyday consequence is that a taxpayer who owns their home and rents it out for a fortnight or less in a year keeps the rent — every dollar of it — without owing federal income tax on it.

The provision was named after Augusta, Georgia. Each April, residents whose homes sit near the National rent them to corporate sponsors and out-of-town visitors for the Masters Tournament. The lobbying effort that produced §280A(g) was driven by those Augusta homeowners. The law that resulted applies anywhere — Aspen, Atlanta, Akron — as long as the underlying facts qualify.

Why this matters to an S-corp owner

For a sole proprietor, §280A(g) is a quaint provision that mostly benefits homeowners near famous sporting events. For an S-corporation owner, it is something different entirely: a way to move cash from the business to the shareholder, tax-free on the personal side and deductible on the corporate side. The strategy works because the S-corp is a separate legal taxpayer from its owner. The corporation rents the home for a real business purpose — a board meeting, a strategy session, a training day — and pays the homeowner-shareholder a fair-market rent. The corporation deducts the rent under IRC §162 as an ordinary and necessary business expense. The shareholder excludes the rent from gross income under §280A(g). Because the S-corp is a pass-through, the §162 deduction reduces ordinary business income flowing through on Schedule K-1, which reduces the shareholder's federal taxable income — while the cash itself arrives in the shareholder's personal account untouched by tax.

Who can use the strategy

Entity type	Augusta Rule available?
S-corporation (Form 1120-S)	Yes. The standard use case.
C-corporation (Form 1120)	Yes , though most small-business owners avoid the C-corp double-tax problem unless other factors favor it.
Partnership / multi-member LLC	Yes — partner rents personal residence to the partnership for legitimate partnership business.
Single-member LLC, S-corp elected	Yes , if a valid Form 2553 election is in place.
Sole proprietor / Schedule C	No. There is no separate taxpayer. You cannot rent property to yourself.

Disregarded single-member LLC

No. Disregarded for federal tax purposes — same problem as a sole prop.

WHY SOLE PROPS CAN'T USE IT

The Augusta Rule requires a real lessor and a real lessee. A sole proprietor and the sole proprietor's home are the same taxpayer; you cannot pay yourself rent in any meaningful tax sense. Forming an S-corporation (or LLC taxed as one) creates the second taxpayer needed for the strategy to work — but only if the entity is doing real business and respecting corporate formalities. A shell entity created in December for the sole purpose of paying itself rent fails on multiple levels.

Two definitions that decide the case

"Dwelling unit"

Section 280A(f)(1) defines a dwelling unit broadly. It includes a house, an apartment, a condominium, a mobile home, a boat, or any similar property — together with all structures appurtenant to it — provided the property contains basic living accommodations: a place to sleep, a toilet, and cooking facilities. A primary home qualifies. A vacation home qualifies. A residence held in a trust or in a single-member LLC owned by the individual generally qualifies. A property used exclusively as a hotel, motel, or inn does not.

"Used as a residence"

Section 280A(d)(1) treats a dwelling unit as a residence in any year in which the taxpayer's personal use of the property exceeds the greater of fourteen days or ten percent of the days the property is rented at fair market value. For a primary home, this test is trivially satisfied — the owner lives there. For a vacation home, personal use must be tracked: spending only a long weekend at a vacation property during a year in which it is rented to short-term tenants for several months can knock the property out of "residence" status and disqualify any §280A(g) treatment for the year.

The 14-day cliff — there is no proration

The single most important sentence in §280A(g) is the phrase "less than fifteen days." If the property is rented for fourteen days or fewer in the year, the entire rental income is excluded. If the property is rented for fifteen days or more, §280A(g) does not apply at all — the entire year's rental income becomes taxable, the property is treated as a rental for the year, expenses must be allocated between personal and rental use, Schedule E reporting kicks in, and depreciation recapture may follow on the eventual sale. The rule is a cliff, not a phase-out. Renting for one extra day vaporizes the entire year's exclusion.

HEADS UP — THE CAP IS PER PROPERTY, NOT PER ENTITY

If two related entities each rent the same home — twelve days to the S-corp and three days to a related partnership, for example — that is fifteen rental days at the property level, and the §280A(g) exclusion is lost for the year. Coordinate across all entities. Track every rental day on a single calendar.

What the 2025 tax law changed (and what it didn't)

The One Big Beautiful Bill Act, signed July 4, 2025 (Pub. L. 119-21), did not amend §280A(g). The substantive law of the Augusta Rule carries forward intact for the 2025 and 2026 tax years. The Act did, however, raise the Form 1099-MISC and Form 1099-NEC reporting threshold from \$600 to \$2,000 starting with payments made in 2026, with annual inflation adjustments beginning in 2027. That change is relevant to this strategy because the S-corp's rental payment to the homeowner-shareholder is ordinarily reported on Form 1099-MISC, Box 1 (Rents). For 2026 forward, the form is required only when aggregate annual rent paid to the homeowner equals or exceeds \$2,000. As a matter of best practice, Beaconshire's recommendation is to file the 1099-MISC anyway — it costs nothing, it documents the arm's-length character of the transaction, and it gives the IRS computer a paper trail that matches the corporate deduction.

There is no pending Revenue Ruling, Notice, or Chief Counsel memorandum modifying or clarifying §280A(g) as of April 2026. Governing authority remains the statute, Treasury Regulation §1.280A-1 (proposed in 1980 and partially withdrawn after the Supreme Court's *Soliman* decision but still informative), and the Tax Court case law discussed in Section 2.

SECTION 2

The Four Traps

What recent Tax Court decisions teach about getting this wrong — and getting it right.

The Augusta Rule has been on the books since 1976. It has worked for fifty years, and it works today. What changed in 2023 was that the Tax Court issued two opinions — *Sinopoli v. Commissioner* and *Jadhav v. Commissioner* — that demonstrate, in painful detail, exactly how taxpayers lose the strategy. Both decisions left §280A(g) itself intact. Both upheld the IRS's right to disallow the corporate deduction under §162 when the rent was unreasonable, the documentation was thin, or the cadence of meetings strained credulity. The cases are the most important practical guidance available on this topic. Read them — or at least the summaries below — before signing your first rental agreement.

Sinopoli v. Commissioner, T.C. Memo 2023-105

Three medical professionals owned an S-corporation that operated Planet Fitness franchises. The corporation purported to hold three monthly meetings each year at each shareholder's home — thirty-six meetings annually for a three-shareholder company. Rent was first computed at \$1.83 per square foot of common space, then flattened to a \$3,000-per-month figure. Over three tax years, the S-corp deducted \$290,900 in rental payments. Each shareholder reported the rent on Schedule E and excluded it under §280A(g). On audit, the IRS revenue agent researched local meeting-space rates and found that comparable rooms accommodating five hundred to twelve hundred people rented for approximately \$500 per day. The Tax Court allowed \$0 in 2015 (no minutes), \$6,000 in 2016 (twelve substantiated meetings at \$500 each), and \$4,500 in 2017 (nine substantiated meetings at \$500 each). Total allowed against \$290,900 deducted: \$10,500 — a 96 percent disallowance.

The court's most-quoted sentence: "It seems that petitioners adopted a tax savings scheme to distribute the S corporation's earnings to petitioners through purported rent payments, claim rent deductions, and exclude the rent from their gross income relying on section 280A(g)." The lesson is not that the strategy doesn't work. It is that the strategy looks, to a Tax Court judge, exactly like a disguised distribution when the rent is unreasonable, the meetings are implausibly frequent, and the file contains nothing the taxpayer can put in front of an examiner.

Jadhav v. Commissioner, T.C. Memo 2023-140

A PhD chemist who ran a side marketing business converted it to an S-corporation on tax-planning advice. He then rented his home and his sons' homes to the S-corp for fourteen days each year at \$2,000 to \$2,500 per day, totaling roughly \$308,000 in rent deductions over four years. The Tax Court disallowed substantially all of the rent deductions, imposed §6662 accuracy-related penalties, and rejected the taxpayer's "ordinary and necessary" arguments under §162. *Jadhav* reinforces the *Sinopoli* framework: §280A(g) is not an exception to §162's reasonableness test. When related-party rent lacks documentation, business purpose, or market-rate support, the §162 deduction can be disallowed even where the §280A(g) income exclusion is technically available.

The four traps — and how to avoid each

Both opinions converge on the same four failure modes. Every fillable template that follows in this package is designed to defeat one of these traps.

The trap	What it looks like — and the fix
1. Unreasonable rate	<i>Sinopoli</i> charged \$3,000/day in a market where comparable space rented for \$500/day. The Tax Court adjusted the rate down by 83 percent. Fix: obtain three written comparables before each rental — hotel conference quotes, Peerspace or Breather listings, Airbnb "entire-place" event rates — and set the daily rate at or below the median. The FMV Worksheet (Section 7) handles this.
2. Missing contemporaneous records	<i>Sinopoli</i> had no minutes for 2015 — and lost the entire year. Fix: complete the agenda before the meeting, the minutes during or within 24 hours of the meeting, and store both in a dated folder. Records reconstructed after a notice arrives reliably fail under <i>Fuhrman</i> .
3. Implausible meeting frequency	Three monthly meetings for a three-shareholder S-corp (<i>Sinopoli</i>) is the kind of cadence that does not correspond to any real governance need. Fix: tie meetings to genuine business — quarterly board, annual retreat, occasional training or strategy sessions. A defensible cadence is seven to ten meetings per year. Filling all fourteen days, every year, at round-number rates is its own red flag.
4. Substance failure under §162	Family gatherings with light business talk, identical-template agreements across every event, no real attendees, payments that don't trace through accounts. The <i>Sinopoli</i> court called this a "tax savings scheme." Fix: hold real meetings with real agendas, real attendees, and real decisions. Pay by check or wire from the corporate operating account to the homeowner's personal account, with a memo line referencing the §280A(g) rental and the meeting date.

AUDIT NOTE — THE §162 BACKSTOP

Section 280A(g) controls whether the homeowner reports the rent as income. Section 162 controls whether the corporation may deduct the rent as an expense. The two questions are independent. A taxpayer can win the §280A(g) argument and still lose the §162 argument — exactly what happened in *Sinopoli*. Every fillable form in this package targets the §162 reasonableness inquiry, not the §280A(g) exclusion.

The documentation stack the Tax Court now expects

Read together, *Sinopoli* and *Jadhav* identify ten items the IRS expects to see in an audit-ready file. The remainder of this package provides templates for each. The list below is not aspirational — it is a description of what an examination agent will request on the first information document request after a CP2000 notice or a field audit opens.

- ☐ **Written rental agreement** between the S-corp and the homeowner-shareholder, executed before the rental event. (Section 3.)
- ☐ **Corporate board resolution** authorizing the rental program, adopted before the first event of the year. (Section 4.)
- ☐ **Meeting agenda** distributed to attendees in advance and retained in the file with evidence of distribution. (Section 6.)
- ☐ **Meeting minutes** prepared contemporaneously documenting attendees, business discussed, and decisions reached. (Section 5.)
- ☐ **Attendee list** with corporate roles and titles, captured in the minutes.
- ☐ **FMV support file** with at least three written comparables per event, gathered before the rate is set. (Section 7.)
- ☐ **Invoice** from the homeowner to the S-corp referencing the agreement. (Section 8.)
- ☐ **Payment record** — check or wire from the corporate operating account to the homeowner's personal account, with a §280A(g) memo line. (Section 10 log.)
- ☐ **Day-count tracker** — a master calendar showing year-to-date rental days to prove the 14-day cap was not exceeded. (Section 11.)
- ☐ **Form W-9** from the homeowner and, when aggregate annual rent meets the threshold, a Form 1099-MISC reporting the payment in Box 1. (Section 9.)

A defensible cadence

The Tax Court's distaste for thirty-six annual meetings is a useful guide to a defensible upper bound, not a target. A standard pattern that holds up well in examination is four quarterly board meetings, one annual planning retreat, and two to four targeted training or advisory sessions — seven to ten rental days per year. That cadence stays well under the 14-day cap, leaves room for schedule flexibility, and matches the actual governance rhythm of a closely held business. Consider it a ceiling rather than a floor; many S-corps will have only four or five meetings per year, which is entirely appropriate.

SECTION 2 (CONTINUED)

State Conformity — Quick Reference

The federal exclusion is uniform. The state result is not.

Section 280A(g) is a federal provision. Whether your state honors the federal exclusion depends on how the state's income tax conforms — or doesn't conform — to the federal Internal Revenue Code. The map below covers the four states most commonly relevant to Beaconshire's clients. For other states, the same diagnostic applies: identify the state's conformity posture, locate the starting point of state taxable income (federal AGI, federal taxable income, or a state-specific definition), and verify whether the state has enacted any addback that recaptures §280A(g) excluded income. Local occupancy or lodging taxes may also apply at the municipal level regardless of state-level treatment.

State	Result for §280A(g) excluded income
Colorado	Rolling conformity. Colorado taxable income begins with federal taxable income, which already excludes §280A(g) amounts. Generally not taxed in Colorado.
Indiana	Static conformity, updated to IRC as of January 1, 2026 by Senate Bill 243. Indiana starts with federal AGI; the §280A(g) exclusion flows through. Generally not taxed in Indiana.
Pennsylvania	Eight-class non-conforming system at a 3.07 percent flat rate. PA does not automatically recognize the §280A(g) exclusion and may treat short-term self-rental as net profits (business) income. Potentially taxable — verify case-by-case.
California	IRC conformity date January 1, 2025 (SB 711). California conforms to §280A in principle, but practitioners report aggressive positions on related-party rent in examination. Generally excluded; confirm with a California advisor.
No-income-tax states	Florida, Texas, Nevada, Washington, Tennessee, Wyoming, South Dakota, Alaska — full federal benefit with zero state drag.

WHY IT MATTERS

Marketing claims about the Augusta Rule frequently quote a federal tax savings figure without naming a state. For an S-corp owner in California or Pennsylvania, the federal answer and the state answer can diverge sharply, and the planning decision depends on the combined result. Build the comparison both ways before relying on the strategy. Beaconshire prepares a one-page state memo for every client engagement.

SECTION 9 — INSTRUCTIONS

Form W-9 and Form 1099-MISC

How the homeowner's tax-ID information is collected, what gets reported on the 1099, and how to avoid a CP2000 notice on the personal return.

The IRS reads the corporate side of the transaction (the §162 rent deduction) and the personal side (the §280A(g) excluded income) using two different forms and two different matching systems. The Form 1099-MISC is the document that ties them together. Used correctly, it documents the arm's-length character of the transaction, creates a paper trail that an examiner can follow, and establishes that the §280A(g) position was disclosed rather than hidden. Used incorrectly, it triggers a computer-generated CP2000 notice on the homeowner's personal return.

The W-9 — collected once, kept on file

Before the first rental of the year, the corporation should request a completed Form W-9 from the homeowner. The W-9 captures the homeowner's legal name, mailing address, and Social Security Number (or SSN if the home is held in a single-member LLC). The form is not filed with the IRS; it is retained in the corporation's files and used to populate the Form 1099-MISC at year-end. Form W-9 is downloadable at irs.gov/forms-pubs/about-form-w-9.

HEADS UP — REQUEST A FRESH W-9 EACH YEAR

If the homeowner's name or address has changed, the W-9 needs to reflect the change for the 1099 to issue cleanly. The W-9 itself takes two minutes to complete; annual collection costs nothing and prevents avoidable downstream cleanup.

The 1099-MISC — the 2026 threshold change

Historically, an S-corporation paying \$600 or more in annual rent to an unincorporated individual was required to issue a Form 1099-MISC reporting the payment in Box 1 (Rents). The One Big Beautiful Bill Act, signed July 4, 2025, raised that threshold to \$2,000 for payments made in 2026, with annual inflation adjustments beginning in 2027. The corporate-payee exemption that excuses 1099 issuance for payments to corporations does not apply here, because the rent is paid to the homeowner personally, not to the corporation that owns the operating business.

Beaconshire's recommended protocol — file the 1099 anyway. Even when the aggregate annual rent falls below \$2,000, the firm recommends issuing a Form 1099-MISC for the payment. The cost of issuance is nominal, the form establishes that the corporation treated the payment as an arm's-length rental rather than a distribution, and it provides a contemporaneous third-party record of the amount and date of payment. The form is filed with the IRS and a copy is provided to the homeowner by January 31 of the year following the rental.

How to handle the 1099 on the homeowner's 1040

Once the 1099-MISC is issued, the IRS computer expects matching gross income on the homeowner's personal return. The homeowner has two options: report nothing (relying on §280A(g) to exclude the income from gross income altogether) or report the income on Schedule E with an offsetting line that nets to zero. Both positions are defensible. Beaconshire's recommendation is the second.

Approach	Mechanics and risk profile
Option A — report nothing on the 1040	Cleanest under the statute. Section 280A(g) excludes the income from gross income, so by definition there is nothing to report. Risk: the IRS computer issues a CP2000 notice asking why the 1099 amount doesn't appear. The notice is resolved with a letter explaining the §280A(g) position, but the notice is annoying and consumes professional fees.
Option B — report and net to zero (recommended)	Report the gross rent on Schedule E and add an equal offsetting line described as <i>"Non-taxable income under IRC §280A(g)"</i> . Net taxable income on Schedule E is zero. The 1099 amount matches the form, the §280A(g) position is disclosed on the face of the return, and no CP2000 notice issues. This is the approach Beaconshire uses for all clients.

AUDIT NOTE

If the IRS examines the personal return and questions the offsetting Schedule E line, the §280A(g) position is fully supported by the rental agreement, the meeting minutes, the FMV worksheet, and the payment record. Each of those documents lives in this package. Disclosure on the return plus complete substantiation behind the return is exactly the position any tax attorney would want to take.

Form W-9 — where to obtain

Form W-9 is published by the IRS and is freely downloadable. It is not reproduced here because the IRS revises the form periodically; using the most current version is required. Download the current Form W-9 at irs.gov/forms-pubs/about-form-w-9, have the homeowner complete and sign it, and store it in the corporation's Augusta Rule file alongside this package.

SECTION 13 — REFERENCE

Audit-Defense Checklist, FAQ, and Red Flags

If the IRS examines the corporate or personal return, here is what they will ask for — and what to avoid in the first place.

Per-Event Audit-Defense Checklist

Run this checklist on each rental event after the fact. If you cannot check every box, the event is at risk in an examination. Better to find the gap now than during a field audit.

- ☐ Signed written rental agreement (Section 3) executed before the event
- ☐ Board resolution for the calendar year (Section 4) on file
- ☐ Meeting agenda (Section 6) with evidence of distribution before the meeting
- ☐ Meeting minutes (Section 5) with attendees, business discussed, decisions
- ☐ FMV worksheet (Section 7) with three independent comparables
- ☐ Invoice (Section 8) from homeowner referencing the rental agreement
- ☐ Payment cleared from corporate account to homeowner — check or wire
- ☐ Day-count tracker (Section 11) updated and total ≤ 14 days year-to-date
- ☐ 1099-MISC issued (or scheduled to issue at year-end if above threshold)
- ☐ Schedule E reflects gross rent and offset line on homeowner's 1040

If You Receive an Examination Notice

An IRS letter is not a verdict; it is the start of a process. The outcome depends almost entirely on what is in the file the day the letter arrives. Steps to take, in order:

- 1 Don't panic-amend**
Do not file an amended return in response to a notice. Amending often weakens the original position and can create estoppel problems. Engage qualified counsel first.
- 2 Engage tax counsel with IRS representation authority**
An attorney, CPA, or enrolled agent with active Power of Attorney filed via Form 2848 speaks to the IRS on your behalf. Beaconshire Advisory's principal carries IRS representation authority and is available to handle Augusta Rule examinations.
- 3 Compile the file, organized by event**
For each rental event, assemble: rental agreement, board resolution, agenda, minutes, attendee list, FMV worksheet with comparables, invoice, payment record, and bank statement showing the payment cleared. Tab and label each item. The file should be cross-referenced to your day-count tracker.

4 Respond to the IDR specifically — do not over-produce

Information Document Requests are scoped. Provide what is requested; do not volunteer documents beyond the scope of the request. Counsel will manage this.

5 On rate challenges, defend with the contemporaneous file

Sinopoli shows that taxpayers must produce competent FMV evidence; self-research after the fact is rejected. The dated comparables on Section 7 are the answer here. If a particular event is weak, it may be more strategic to concede that event while defending the others — the *Sinopoli* court allowed some deductions on a per-meeting basis.

6 Preserve issues for Appeals and, if necessary, Tax Court

Most disputes resolve at the Appeals level. If they don't, the deficiency notice creates a 90-day window to petition the Tax Court. Counsel will track the deadline and decide whether to litigate based on the strength of the file.

Top 10 Red Flags to Avoid

Each of these patterns has either appeared in a published Tax Court loss or has been repeatedly identified by IRS examiners as a hallmark of an aggressive Augusta Rule deduction. None of them is itself fatal, but in combination they trigger heightened scrutiny.

- ☐ Claiming exactly fourteen days every year at round-number rates — the pattern looks engineered
- ☐ Daily rates significantly above local venue comparables (the *Sinopoli* \$3,000 vs. \$500 fact pattern)
- ☐ No contemporaneous agendas, minutes, or attendee lists — records reconstructed after a notice arrives
- ☐ Meeting frequency that exceeds plausible governance need (e.g., monthly meetings for a one-shareholder S-corp)
- ☐ Meetings attended only by related family members with no evidence of substantive corporate business
- ☐ Identical rental agreements across all events — boilerplate where bespoke would be expected
- ☐ Cash withdrawals, commingled accounts, or missing payment trail — payments must trace through bank records
- ☐ Inconsistent reporting — reporting Schedule E rent one year and not the next without explanation
- ☐ Augusta Rule meeting in the same physical space that is also claimed under an accountable-plan home-office reimbursement
- ☐ Crossing fourteen days, even by an hour, even to a different entity — the cliff has no proration

Frequently Asked Questions

Does this work for a sole proprietor?

No. The strategy requires a separate taxpayer — a corporation, partnership, or multi-member LLC — to act as the renting party. A sole proprietor cannot rent property to themselves in any meaningful tax sense.

My business is a single-member LLC. Can I use it?

Only if the LLC has elected to be taxed as an S-corporation (Form 2553) or C-corporation (Form 8832). A single-member LLC that is disregarded for federal tax purposes is treated as the owner and runs into the same problem as a sole proprietor.

Can I rent my vacation home?

Yes, provided you personally use the property more than 14 days during the year (or more than 10 percent of the days the property is rented at fair market value, whichever is greater). The §280A(d)(1) "used as a residence" test must be met.

What happens if I rent for 15 days?

The entire year's exclusion is lost. There is no proration — every dollar of rent becomes taxable, the property becomes a rental for the year, and Schedule E reporting and depreciation rules apply. Track every rental day. Stop scheduling rentals after day 12.

Do I need to issue a 1099-MISC?

Best practice, yes — even when the new \$2,000 threshold is not met. The form documents the arm's-length character of the transaction, creates a paper trail, and reduces the chance of CP2000 notices on the personal return.

How do I report the 1099 on my 1040?

Recommended approach: report the gross rent on Schedule E and add an offsetting line described as "*Non-taxable income under IRC §280A(g).*" Net taxable income on Schedule E is zero. The disclosure prevents a CP2000 notice.

Does my state tax this rental income?

It depends on the state. Colorado, Indiana, and most rolling-conformity states follow the federal exclusion. Pennsylvania does not automatically conform and may treat the income as taxable. California conforms in principle but is aggressive in audit. See Section 2 of this package and confirm with a local advisor.

Can I rent my dedicated home-office space for the meeting?

Not at the same time you are claiming an accountable-plan home-office reimbursement for that space. The two positions conflict. The fix is to use a different part of the home for the Augusta Rule rental — a great room, dining area, or finished basement — and reserve the dedicated office for the home-office deduction.

What if the IRS audits?

Engage qualified counsel and produce the per-event documentation file described in Sections 3 through 12 of this package. *Sinopoli* demonstrates that well-documented events can survive examination even when other parts of the program are challenged.

Can I combine the Augusta Rule with other strategies?

Yes. The Augusta Rule is a standalone strategy that does not preclude others — cost segregation, accountable-plan reimbursements for legitimate business expenses, S-corp reasonable compensation analysis, the §199A QBI deduction, the home-office deduction (in non-overlapping space), and entity-level state SALT Parity elections all coexist with it. Stacking is a planning conversation worth having with your advisor each year.

PACKAGE ENDNOTES

About This Package and How to Use It

This package is prepared by Beaconshire Advisory LLC as educational reference material for prospective and current clients. It is drafted to reflect federal tax law as of April 2026, including the Internal Revenue Code, current Treasury regulations, the Tax Court's *Sinopoli* and *Jadhav* opinions, and the Form 1099 reporting threshold change made by the One Big Beautiful Bill Act. Tax law changes; this package does not.

The package is not a substitute for legal or tax advice tailored to a specific taxpayer's facts and circumstances. The Augusta Rule looks simple but interacts with §162 reasonableness doctrine, §469 self-rental rules, §199A QBI deduction limits, accountable-plan rules under Treasury Regulation §1.62-2, the operating agreements of the entity using the strategy, and the conformity rules of the taxpayer's state. The right answer for any particular client depends on all of those moving parts together. Engage a credentialed tax professional — ideally one with IRS representation authority — before relying on this strategy on a return.

Beaconshire Advisory LLC is a tax and financial advisory firm based in Montrose, Colorado. The firm's principal carries IRS representation authority and is available to consult on Augusta Rule planning, examination defense, and the complete S-corporation tax stack — reasonable compensation, accountable plans, Section 199A optimization, state SALT Parity elections, and entity structuring. To schedule a consultation, contact the firm at the website or phone number on this page.



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Schedule a consultation: www.beaconshireadvisory.com/book

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