

MONEY MYTHS SERIES

The Augusta Rule: What Happens When You Rent Your Home to Your Own Business

How the 14-day home rental rule works, why the Tax Court cut Sinopoli and Jadhav to almost nothing, and what fair rent looks like.

By Eric Ridley, attorney, Ridley Law · Updated September 2026 · Read online with live links: ridleylawoffices.com/augusta-rule/

Part of our [money myths series](#), where we check what social media says about money against the statute, the IRS and the courts.

The claim: rent your home to your own business for up to 14 days a year, charge a few thousand dollars a day, and the business deducts the rent while you pay no tax on it. **The verdict:** the 14-day exclusion in IRC § 280A(g) is real, but the business only gets to deduct fair rent for real meetings, and the Tax Court has twice cut these deals to nearly nothing. In Sinopoli (2023) the owners deducted \$290,900 of home rent and kept \$16,500. In Jadhav (2023) they deducted \$308,000, kept \$0 and paid a 20% penalty.

Under 15 days

Rental that's excluded from your income
(IRC § 280A(g), 1976)

\$290,900

Home rent deducted in Sinopoli; \$16,500
allowed (Tax Court, 2023)

\$0

Home rent allowed in Jadhav out of
\$308,000 invoiced (Tax Court, 2023)

\$50,000

What the Jadhavs paid a promoter for the
tax plan (Tax Court, 2023)

\$500

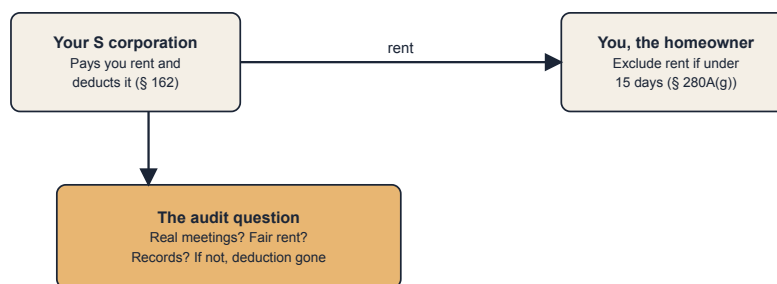
Per-meeting rent the court found
"actually generous" (Sinopoli)

The pitch shows up in short videos and webinars. The version you hear goes like this: your business rents your house for 14 "board meetings" a year at \$2,000 or \$3,000 a day, the business writes off \$30,000 or more, and you report none of it. The first half rests on a real statute. The second half is where people get hurt, because the statute that excludes your income says nothing about whether your business can deduct what it paid you.

Who gets paid when you follow this advice

In the one case where the court record shows the price, the promoter got \$50,000. *Jadhav v. Commissioner*, T.C. Memo. 2023-140, describes a Texas couple who paid Capital Protection Services, LLC \$50,000 for a 183-page "Income Tax Plan." The plan told them they could reduce their "average tax rate" to 9%, using the 14-day home rental and several other moves. It came with a legal opinion from a lawyer whose family, the promoter disclosed, had a financial interest in its business. The Tax Court allowed none of the home rent and sustained 20% penalties.

Online, the Augusta rule is also used as a lead-in to tax-planning memberships. One firm's article on the rule ends with a "limited-time offer" of a free strategy session it values at \$750, alongside a paid "Platinum membership." A free session is a sales call. The rule itself is free to read, and it's three lines long.



What does the Augusta rule say?

IRC § 280A(g), enacted in 1976, says that if you rent out a home you live in for fewer than 15 days in a year, the rent isn't taxable income and you can't deduct any rental expenses.

The statute applies when a dwelling you use as a residence "is actually rented for less than 15 days during the taxable year." In that case "no deduction otherwise allowable under this chapter because of the rental use of such dwelling unit shall be allowed," and "the income derived from such use for the taxable year shall not be included in the gross income." IRS Publication 527 says the same thing in plain terms: if you rent your home for less than 15 days, "don't include the rent you receive in your income," and don't report it on Schedule E.

It was written for homeowners who rent out a house occasionally. The Senate Finance Committee's 1976 report discusses vacation homes. Golf.com reports the nickname comes from homeowners renting their houses during the Masters tournament in Augusta, Georgia. Nothing in the statute mentions golf, or renting to your own company. That use came later, from tax planners.

Can your own business deduct the rent it pays you?

Only if the rent is ordinary, necessary and reasonable for real business use under IRC § 162(a), and the Tax Court has said reasonableness "has particular significance in dealings between related parties" (Sinopoli, 2023).

Section 280A(g) decides how you, the homeowner, treat the money. Whether the business can deduct it is a separate question under § 162(a), which allows a deduction for "ordinary and necessary expenses" including rent paid "for purposes of the trade or business." When you are on both sides of the lease, the court looks hard at whether the meetings happened, whether a business like yours would rent that space, and whether the price matches what comparable space rents for nearby. In *Jadhav* the court put the question this way: "whether the payments were in fact rent and not something else disguised as rent."

There's a structural problem too. If your business is a single-member LLC that you haven't elected to tax as a corporation, Treasury regulations treat its activities "in the same manner as a sole proprietorship." Paying rent from your Schedule C to yourself doesn't create a deduction. The arrangement only has two parties when the business is a separate taxpayer, usually an S corporation or C corporation.

What happened in *Sinopoli v. Commissioner*?

The Tax Court allowed \$16,500 of the \$290,900 in home rent a Planet Fitness franchise deducted over three years, and called the arrangement "a tax savings scheme to distribute Planet's earnings" (T.C. Memo. 2023-105, August 14, 2023).

Three owners of an S corporation, two anesthesiologists and an orthopedic sales representative, had the company pay them rent for business meetings at their homes. By 2016 and 2017 each owner was receiving \$3,000 a month. The company deducted \$96,400 in 2015, \$113,500 in 2016 and \$81,000 in 2017. The owners didn't get an appraisal of their homes' rental value as meeting space, and they didn't present "minutes, agendas, or calendars" showing the meetings happened.

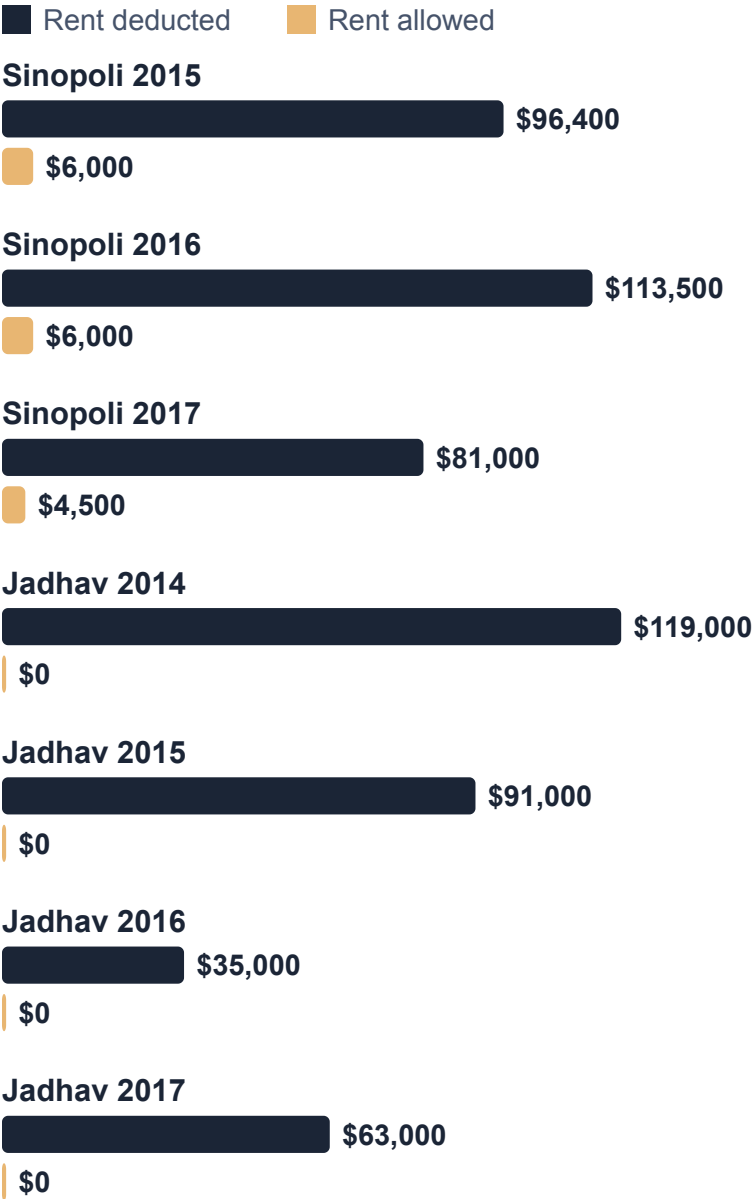
An IRS agent found that local meeting space for 500 to 1,200 people rented for about \$500 a day. The court allowed \$500 per documented meeting and said, of the owners' complaint that this was too low, that "\$500 allowed per month is actually generous." The final numbers: \$6,000 for 2015, \$6,000 for 2016 and \$4,500 for 2017. The IRS hadn't asserted penalties in this case, so none applied.

What happened in *Jadhav v. Commissioner*?

The court allowed none of the \$308,000 in home rent the couple's S corporation paid them from 2014 through 2017, found the payments were "something other than rent," and sustained 20% accuracy penalties (T.C. Memo. 2023-140, November 21, 2023).

Following the promoter's plan, the S corporation rented each of the couple's homes "for a maximum of 14 days," at an assumed \$2,500 a day for one home and \$2,000 for the others. The company paid \$119,000 in 2014 across four homes, \$91,000 in 2015, \$35,000 in 2016 and \$63,000 in 2017. The couple didn't get appraisals. They used the promoter's numbers. With no evidence of what the space was worth, the court said it was "unable to conclude that

any portion of KJJJ's reported rent was reasonable." The couple argued they relied on their CPA, and the court rejected that defense too. The 2014 deficiency alone was \$265,990 with a \$53,198 penalty, though that figure covers every issue in the case, including ones unrelated to the rent.



Sources: Sinopoli v. Commissioner, T.C. Memo. 2023-105; Jadhav v. Commissioner, T.C. Memo. 2023-140 (home rent only; Jadhav's 2015 rent line also included \$12,500 for equipment).

Case and year	Rent deducted	Rent allowed
Sinopoli 2015	\$96,400	\$6,000
Sinopoli 2016	\$113,500	\$6,000
Sinopoli 2017	\$81,000	\$4,500
Jadhav 2014	\$119,000	\$0
Jadhav 2015	\$91,000	\$0

Case and year	Rent deducted	Rent allowed
Jadhav 2016	\$35,000	\$0
Jadhav 2017	\$63,000	\$0
Sinopoli total	\$290,900	\$16,500
Jadhav total	\$308,000	\$0

Worked example: \$2,500 a day versus fair rent

The numbers here are hypothetical. A married California couple owns an S corporation and is in the 32% federal bracket and the 9.3% California bracket. Their company pays them for 14 days of meetings at home.

- **The pitch:** 14 days at \$2,500 is \$35,000 of rent. The company deducts it, the couple excludes it, and their combined federal and California tax drops by about \$14,455 (41.3% of \$35,000).
- **Fair rent:** if comparable local meeting space rents for \$500 a day, which is what the IRS agent found in Sinopoli, defensible rent is 14 days at \$500, or \$7,000. The tax benefit is about \$2,891, and only if 14 real meetings happened and were documented.
- **The Jadhav outcome:** if nothing is allowed, the couple owes back the \$14,455, plus a 20% federal penalty of \$2,240 on the \$11,200 federal portion, plus interest.



Hypothetical. Assumes 32% federal and 9.3% California marginal rates.

Item	Amount
Rent at the pitched \$2,500 a day	\$35,000
Tax saved if the pitch held up	\$14,455
Rent at comparable \$500 a day	\$7,000
Tax saved at fair rent	\$2,891

In Sinopoli the court allowed rent near the fair-rent figure. In Jadhav it allowed none. Any fee you pay a promoter comes out of the fair-rent savings, which in this example are about \$2,891.

Is the IRS going after the Augusta rule?

The IRS hasn't issued a notice aimed at the Augusta rule by name, but it has listed "misleading tax advice on social media" in its Dirty Dozen warnings in 2024, 2025 and 2026, and it has won the two recent Tax Court cases on renting homes to an owner's own company.

The 2026 list (IR-2026-30, March 5, 2026) warns that viral "tax hacks" can push people "to file returns with false information," leading to "refund delays, audits, penalties, or worse." The 2025 list says people on TikTok "share wildly inaccurate tax advice." Neither release mentions § 280A(g), so don't read them as targeting this rule. Read them as the IRS telling you where it's looking.

Does California follow the Augusta rule?

Yes: California adopts the federal rules on gross income and on deductions for homes, so the 14-day exclusion and the business-deduction limits work the same way on a California return (R&TC §§ 17071 and 17201).

California's income tax law incorporates IRC § 61 on gross income and the parts of the Code that include §§ 162 and 280A, "except as otherwise provided." The Franchise Tax Board's Publication 1001 for 2025 doesn't list § 280A as a difference between federal and California law.

When does renting your home to your business make sense?

When the business holds real meetings or events at your home, pays what comparable space nearby would cost, and keeps the records to prove both.

A small S corporation that holds a quarterly planning day with its staff at the owner's home, pays the going rate for a hotel meeting room, and keeps an agenda, an attendee list and a signed rental agreement can use the rule. So can any homeowner who rents to strangers for a week during a big local event. In *Ibidunni v. Commissioner*, T.C. Memo. 2016-218, the court applied the 14-day rule to a house rented for a short stretch: the income was excluded and the deductions were denied, which is how the statute is supposed to work.

What the video says	What the law says
"Rent your house to your business, tax-free."	The rent is excluded from your income under § 280A(g). The business's deduction is a separate test under § 162.
"Charge whatever a luxury rental gets."	Rent must match comparable space for the use. <i>Sinopoli</i> allowed \$500 per meeting.
"14 days of board meetings."	The meetings must be real and documented. <i>Sinopoli</i> 's owners had no minutes, agendas or calendars.
"Your LLC can do it."	A single-member LLC taxed as a sole proprietorship is you. There's no second party to pay rent.
"The IRS approved this in 1976."	Congress wrote § 280A(g) for occasional rentals. In 2023 the Tax Court disallowed \$274,400 in <i>Sinopoli</i> and all \$308,000 in <i>Jadhav</i> .

What should you do instead?

Treat the rule as a small benefit for a real use, price it at market and paper it like a deal with a stranger.

1 Get a real comparable

Call two or three hotels or event spaces nearby and write down what a room for your group size costs for a half day and a full day. Keep the quotes.

2 Hold the meeting

Agenda, attendee list, minutes. If the only attendees are you and your spouse, ask whether a business your size would rent a room for that meeting at all.

3 Sign a rental agreement

The company pays by check or transfer to you, at the documented rate, with an invoice.

4 Check the structure

If the business is a disregarded LLC, this doesn't work. See [LLC vs. S corp in California](#) and [C corp vs. S corp](#) before restructuring for a tax benefit this size.

5 Price the advice

If the plan costs more than the honest version of the rule saves, you lose money even if the IRS never asks a question.

The Augusta rule often comes bundled with other moves from the same playbook. See [hiring your kids](#), [the "LLC write-off"](#) and [the G-Wagon deduction](#), and our [business owner guides](#).

Frequently asked questions

Is the Augusta rule legal?

Yes. IRC § 280A(g) excludes rent from a home you live in if you rent it for fewer than 15 days in the year. What courts reject is a business deducting inflated rent paid to its owners for meetings that weren't real or weren't priced at market.

How many days can I rent my home under the Augusta rule?

Fewer than 15 days in the tax year, so 14 days at most. Rent it for 15 days or more and the normal rental rules apply instead.

How much can I charge my business per day?

What comparable space for the same use would cost. There's no statutory number. In *Sinopoli* the court accepted \$500 per meeting based on local meeting space. In *Jadhav* it allowed nothing for \$2,000 to \$2,500 a day without appraisals.

Can a single-member LLC use the Augusta rule?

Not in any useful way. A single-member LLC that hasn't elected corporate tax treatment is disregarded and treated like a sole proprietorship, so you'd be paying rent to yourself.

Did the 2025 tax law change the Augusta rule?

No. Section 280A(g) hasn't been amended since it was enacted in 1976, and the 2025 budget law, Pub. L. 119-21, didn't touch it.

Do I report Augusta rule income on my tax return?

No. IRS Publication 527 says not to include rent from a home rented less than 15 days in income and not to report it on Schedule E. The business still reports its rent deduction, and that's the number an auditor looks at.

Does California tax Augusta rule rent?

No. California follows the federal gross income and § 280A rules, so the exclusion and the limits on the business deduction apply on the California return too.

This page is general information, not legal, tax or investment advice for your situation. Rent paid between you and your company is a related-party deal, so talk to your own tax adviser before you set one up.

More in the [money myths series](#).

SOURCES

- 26 U.S.C. § 280A (added by Pub. L. 94-455, § 601(a), October 4, 1976), [Cornell LII](#).
- 26 U.S.C. § 162(a), [Cornell LII](#); 26 U.S.C. § 6662(a), [Cornell LII](#).
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- IRS, [Publication 527, Residential Rental Property \(2025\)](#), accessed October 7, 2026.
- Sinopoli v. Commissioner, T.C. Memo. 2023-105 (August 14, 2023), [CourtListener](#).
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- Cal. Rev. & Tax. Code § 17071, § 17201, § 17024.5.
- Franchise Tax Board, [Publication 1001 \(2025\)](#) and [2025 Schedule CA \(540\) instructions](#).
- Anderson Advisors, [Section 280A Deduction Explained](#), accessed October 7, 2026 (marketing).

Questions about your own plan?

Ridley Law helps California families with trusts, wills, trust administration and probate from Port Hueneme, serving Ventura, Santa Barbara and Los Angeles counties. The first call is free and runs 30 minutes.

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