



M.E. & ASSOCIATES
SERVICES, INC.

PARMA

EST. 2002

ACCOUNTING FIRM

CELEBRATING 20 YEARS WITH YOUR COMPANY, YOUR FAMILY, AND YOU

REMEMBER TO TREAT YOUR RENTAL PROPERTY AS A BUSINESS!

Rental Properties and Rules:

Generally, businesses are required to file Form 1099. Landlords are required to issue 1099s for services rendered for their rental properties. If an individual or company provides a service such as repairs, legal and professional fees, tax planning and preparation, cleaning, pest control, management, etc. for an amount in excess of \$600.00, you will be required to report and issue the Form 1099.

When you contract services, please provide the payee with Form W-9 (enclosed – additional copies can be made or printed.) This will allow you to obtain the address and Tax ID number.

They **must** fill out **before** payment, both for ease and records.

1099s must also be prepared and remitted by January 31st of every year.

We can help with this process as needed.

This is a must!

If you have any questions, please contact us prior to scheduling an appointment or drop-off.



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General Rules for Landlords

- ⇒ First and last month's rent are included in the current year income even if the last month's rent will be applied in a future year. Advance rent (e.g. payment of next year's today) is all included in income for the current year, regardless of what year the payments are for.
- ⇒ Non-refundable deposits are included in current year rent, even if the fee, for example, a non-refundable cleaning fee, may be used until the tenant moves out in the future year. Security deposits need not be claimed as income if you intend to return the deposit to the tenant at the end of the lease term.
- ⇒ Barter is income. If, for example, as part of the rent, your tenant agrees to maintain the gardens and pool, you must show the value of these services as rental income. By the same token, you may also deduct the same amount as a rental expense.
- ⇒ Expenses paid by your tenant (see barter income) For example, you're on vacation and the pipe in the rental unit have a leak; you tenant pays to have it fixed then deducts it from their rent. You must then include the full rent income and write off the plumbing expense against it.
- ⇒ Lease cancellation. If you tenant pays you to cancel the lease, include the payment as rental income.
- ⇒ Option payments. If your tenant signs a lease with an option to buy, the option payments are generally rental income. But once the tenant exercises the right to buy the property, all payments received after the sale is considered part of the selling price.
- ⇒ If you rent out part of your personal residence for fewer than 15 days, you need not include that rent you receive in your income.

Make sure you keep all lease/rental agreements and tenant applications. When under audit, the IRS likes to look at these documents as part of their verification that this is indeed a rental property.

Also, keep all cancelled checks and credit card receipts for all rental expenses to deducted on your tax return.



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Additional Information

- ⇒ **Renting to relatives can be an audit nightmare!** The IRS views all transactions between related parties as suspect. In order to take all of the deductions to which you are entitled, and not have the rental reclassified by the IRS to “personal use,” make sure the rent is charged at **fair market value** and that you are treating the rental in a professional manner – maintaining proper documentation (lease agreement/rental agreement) and substantiating the rent you are charging to the relative.
- ⇒ **Limits on deductions applying to rental properties – Rentals are considered passive activities.** Unless you are a real estate professional, you can deduct losses from these activities only against other passive income. Any unused losses and credits may be carried forward to future tax years. There is an exception. If you actively participate in the activity, you may deduct \$25,000 in losses in the current year. If your modified adjusted gross income exceeds \$100,000 (\$50,000 if married filing separately), the amount of deductible loss will phase out. There is no deduction allowed currently if your income is greater than \$150,000. A deduction for the cost of the property, the cost of improvements, furniture, furnishings, machinery, and equipment expensed over the useful life.
- ⇒ **Depreciation is a deduction for the cost of the property, the cost of improvements, furniture, furnishing, machinery, and equipment expensed over the useful life.** You cannot deduct depreciation for land or any equipment you purchase to make improvements to the property. For example, if you buy a table saw so you can cut baseboard and other lumber for a remodel to the property, you cannot take a deduction, depreciation or otherwise, for the cost of the saw.

Request for Taxpayer Identification Number and Certification

**Give Form to the
 requester. Do not
 send to the IRS.**

▶ Go to www.irs.gov/FormW9 for instructions and the latest information.

Print or type. See Specific Instructions on page 3.	<p>1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.</p>	
	<p>2 Business name/disregarded entity name, if different from above</p>	
	<p>3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only one of the following seven boxes.</p> <p><input type="checkbox"/> Individual/sole proprietor or single-member LLC</p> <p><input type="checkbox"/> Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶ _____</p> <p>Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is not disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.</p> <p><input type="checkbox"/> Other (see instructions) ▶</p>	<p>4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):</p> <p>Exempt payee code (if any) _____</p> <p>Exemption from FATCA reporting code (if any) _____</p> <p><small>(Applies to accounts maintained outside the U.S.)</small></p>
	<p>5 Address (number, street, and apt. or suite no.) See instructions.</p>	Requester's name and address (optional)
	<p>6 City, state, and ZIP code</p>	
	<p>7 List account number(s) here (optional)</p>	

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number									
-				-					
or									
Employer identification number									
-									

Part II Certification

Under penalties of perjury, I certify that:

- The number shown on this form is my correct taxpayer identification number (or I am waiting for a number to be issued to me); and
- I am not subject to backup withholding because: (a) I am exempt from backup withholding, or (b) I have not been notified by the Internal Revenue Service (IRS) that I am subject to backup withholding as a result of a failure to report all interest or dividends, or (c) the IRS has notified me that I am no longer subject to backup withholding; and
- I am a U.S. citizen or other U.S. person (defined below); and
- The FATCA code(s) entered on this form (if any) indicating that I am exempt from FATCA reporting is correct.

Certification instructions. You must cross out item 2 above if you have been notified by the IRS that you are currently subject to backup withholding because you have failed to report all interest and dividends on your tax return. For real estate transactions, item 2 does not apply. For mortgage interest paid, acquisition or abandonment of secured property, cancellation of debt, contributions to an individual retirement arrangement (IRA), and generally, payments other than interest and dividends, you are not required to sign the certification, but you must provide your correct TIN. See the instructions for Part II, later.

Sign Here	Signature of U.S. person ▶	Date ▶
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General Instructions

Section references are to the Internal Revenue Code unless otherwise noted.

Future developments. For the latest information about developments related to Form W-9 and its instructions, such as legislation enacted after they were published, go to www.irs.gov/FormW9.

Purpose of Form

An individual or entity (Form W-9 requester) who is required to file an information return with the IRS must obtain your correct taxpayer identification number (TIN) which may be your social security number (SSN), individual taxpayer identification number (ITIN), adoption taxpayer identification number (ATIN), or employer identification number (EIN), to report on an information return the amount paid to you, or other amounts reportable on an information return. Examples of information returns include, but are not limited to, the following.

- Form 1099-DIV (dividends, including those from stocks or mutual funds)
- Form 1099-MISC (various types of income, prizes, awards, or gross proceeds)
- Form 1099-B (stock or mutual fund sales and certain other transactions by brokers)
- Form 1099-S (proceeds from real estate transactions)
- Form 1099-K (merchant card and third party network transactions)
- Form 1098 (home mortgage interest), 1098-E (student loan interest), 1098-T (tuition)
- Form 1099-C (canceled debt)
- Form 1099-A (acquisition or abandonment of secured property)

Use Form W-9 only if you are a U.S. person (including a resident alien), to provide your correct TIN.

If you do not return Form W-9 to the requester with a TIN, you might be subject to backup withholding. See What is backup withholding, later.

Rental Property Schedule - One Page Per Property

Fill out COMPLETELY or mark "N/A". DO NOT leave blank. Use a separate Worksheet for EACH property!

Taxpayer Name _____
 Spouse Name _____

Social Security Number _____
 Social Security Number _____

General: (Required for all)

Property Description _____
 Address _____
 City _____ State _____ Zip _____

Owner of Property _____
 (circle one) Taxpayer
 Joint

GENERAL QUESTIONS:

1. Enter "X" for Active Participant.
 2. Enter "X" if Property was used for personal use by you or your family for more than 14 days or 10% of the total rented days.
- If Checked, enter the number of days for personal use _____
 If Checked, enter the number of days rented _____

Questions Related to Rental of Your Personal Dwelling (Airbnb, VRBO, etc)

If only a portion of the dwelling is rented out:

- 1a. Enter number of rooms, OR square footage of area, rented _____ Rooms Sq Ft (check one)
- 1b. Enter total number of rooms OR total square footage of dwelling _____ Rooms Sq Ft (circle one)
2. Repairs/Supplies to area being rented (Don't include again below.) \$ _____
3. Rent you paid (If you rent rather than own the dwelling you're renting out.) \$ _____

Income:	<u>Current Year</u>	
Rents Received	\$	_____
Royalties	\$	_____

Property Expense:	<u>Current Year</u>	
Advertising	\$	_____
Cleaning/Maintenance	\$	_____
Commissions	\$	_____
Insurance	\$	_____
Legal and Other Professional	\$	_____
Management Fees	\$	_____
Qualified Mortgage Interest	\$	_____
Other Interest	\$	_____
Repairs	\$	_____
Supplies	\$	_____
Real Estate Taxes	\$	_____
Other Taxes	\$	_____
Utilities	\$	_____
Other:	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____
_____	\$	_____

Note: If printed material is received from client which CLEARLY indicates all info needed, fill in address above, stack printed material below this page and write "See next xx pages" in large print below. No need to re-write here as long as info is easily readable.

Assets Existing Assets: *Please provide a detailed depreciation schedule*
 The schedule should include: a) Asset Description, b) Date Placed in Service, c) Cost
 d) Accumulated Depreciation, e) Method of Depreciation and Years

<u>Description</u>	<u>Date Placed in Service</u>	<u>Purchase Amount</u>
1 _____	_____	\$ _____
2 _____	_____	\$ _____
3 _____	_____	\$ _____
4 _____	_____	\$ _____