RENTAL TAX ORGANIZER

CAPE CORAL ACCOUNTING SERVICE, INC.

3501 DEL PRADO BLVD., SUITE 212
CAPE CORAL, FL 33904
(239) 542-2558 FAX (239) 542-2320
E-Mail: lmoore@capecoralaccounting.com
E-Mail: Whitney@capecoralaccounting.com
Web: www.capecoralaccounting.com

(If you are a new client, please send a copy of last year's tax return)

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Dear Clients and Friends:

The ever-complex and changing world of tax law has taught us all to be as detailed as possible when accumulating data and information to be incorporated as part of a taxpayer's year-end tax records. You should be aware that the Internal Revenue Service is continuing to require more due diligence on the part of tax preparers, and IRS notices and inquiries continue to be a major source of revenue for the IRS. With that end in mind, our office is striving to be as accurate and complete as possible in the gathering of information that will be used to complete your personal income tax return and in order to help you to pay the lowest, legal amount of tax possible.

Enclosed, you will find our year-end **"Rental Property Tax Packet".** We hope that you will find this tool useful in compiling your current year rental property information. Please note that not all items of income and expense will apply to every property. The IRS has established a strict set of standards for tax preparers. In order to meet the criteria, set forth under the IRS guidelines, my office is taking extra measures to assist you with the gathering of information to be included on your tax return. Therefore, it is ***MANDATORY*** that **all rental property owners complete** a "Rental Property Tax Packet" (for all areas that do apply to their properties). Please be sure to sign and date the form. The packet should be returned to our office along with your other personal income tax records.

If this is your first year with our firm, please be sure to provide a copy of any prior depreciation schedules. You should also be aware that even though the requirements for all rental property owners to file forms 1099-Misc. were repealed, some rental property owners are still considered to be engaged in a trade or business and are subject to the 1099 reporting rules. For example, if you are a real estate professional or own property that is rented out for less than a week at a time, or **you provide substantial services**, you are subject to the 1099 reporting rules. This means that you are REQUIRED to keep track of all payments you make to individuals who provide services to you in connection with your rental property (i.e plumbers, painters, landscapers, accountant, attorney, etc). For all payments of $600 or more to any one individual during the tax year, you **ARE REQUIRED** to prepare and file Form 1099-Misc. and report those payments. These 1099-Misc. forms must be distributed to the payee on or before 1/31/2021. We strongly suggest that you obtain IRS Form W-9 and begin collecting the required information NOW and have the person providing the services to you complete and sign the form BEFORE you make any payments to them in the current year. You may find it difficult to gather the necessary information after you have made your payment for services. You can obtain Form W-9 from the IRS or by visiting our website at either

Please keep in mind that there are a limited number of weeks, days and hours during tax season that we have available to produce the most accurate tax return that we can. Therefore, we ask for your cooperation in filling out the Rental Property Tax Packet as completely and accurately as possible and returning the forms to our office with your personal tax records. We do appreciate your cooperation and look forward to working with you.

All my best and I look forward to working with you. Thanks again!

Clients new reporting rules for Rental property

To qualify as a trade or business and be eligible for the 20 percent qualified business income deduction (QBID) under the safe harbor the rental real estate enterprise must meet the following requirements:

1. Separate books and records must be maintained for each rental real estate enterprise.

2. For tax years ending prior to December 31, 2023, 250 or more hours of "rental services" must be performed by or for the real estate enterprise each year. The 250 hours of rental services can be performed by owners, employees, agents, or independent contractors.

Rental services include:

- Advertising for rent or lease
- Negotiating and executing leases
- Verifying tenant applications
- Collection of rent
- Daily operation, maintenance, and repair of property
- Management of the real estate
- Purchase of materials
- Supervision of employees and independent contractors.

Rental services do not include:

- Financial or investment management services
- Arranging financing
- Procuring property
- Studying or reviewing financial statements or operating reports
- Planning, managing, or constructing long-term capital improvements
- Time spent traveling to and from real estate

3. Taxpayers and tax filing entities will have to implement time tracking systems beginning with 2019 if they are going to rely on this approach, and the 250 test will be applied annually. The taxpayer will have to maintain logs to document:

- Hours of services
- Description of services
- Dates such services were performed
- Who performed the service
- **Must attach copy of logged hours for this requirement.**

Rental Property Owner(s): _____

Filling out this tax organizer can save you the costs of our firm doing the bookkeeping for your rental property.. Keep the receipts together by type for your records. Write the expense category description on the top of each group of receipts INCLUDING EXPENSES CHARGED TO A CREDIT CARD. Please be sure to answer all questions on page 2 and complete the auto worksheet, if applicable. Use the legend at the bottom of the pg. to insert the appropriate codes for each of the property type(s) below.

Address property 1: _____ Property Type Code: _____
Address property 2: _____ Property Type Code: _____
Address property 3: _____ Property Type Code: _____

Description	Property 1	Property 2	Property 3
Rents Received			
Security Deposits Received			
Security Deposits Refunded			
Other Income - Vending/Furniture Rental/etc.			
Accounting			
Advertising			
Auto miles * (Please use auto worksheet)			
Cleaning/Maintenance			
Commissions - Management Fees			
Insurance			
Legal/Professional Fees			
Mortgage Interest Paid to Banks			
- Other Interest			
- Other Interest			
Repairs** - Building/Roof			
- Plumbing			
- Electrical			
- Painting/Wallpaper			
- Flooring/Rugs			
- Appliances			
- Heating/Air Conditioning			
- Other			
Supplies			
Taxes			
Utilities - Electric			
- Water/Trash			
- Telephone			
- Other			
Travel Related To Rental Property			
Other Expenses (List) -			
- Pest Control			
- Condo Fees			
Appliances/Furniture/Major Purchases or Repairs***			

***(See new Repair & Capitalization Rules)

Property Type Codes: **1** Single-Family Residence **3** Vacation/Short-term Rental **5** Land **7** Self-Rental

2 Multi-Family Residence **4** Commercial **6** Royalties

Please answer the following questions about the properties above.

	Property 1	Property 2	Property 3
1.) Did you or any family member use for personal purposes any of the above property for more than 14 days or 10% of total days rented?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐No
Total # of Days Available for Rent	_____	_____	_____
Total # of Days Used Personally	_____	_____	_____
2.) For each property listed did you:			
a. Actively participate in the operation of the activity during the year?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
b. Spend more than 500 hours participating in the activity during the year?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
c. Are you the ONLY one who substantially provided services or managed the property?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
d. Did you spend MORE THAN 100 hours servicing or managing the property and **NO ONE ELSE** spends more hours?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
e. (Real Estate Professionals) Did you provide at least 750 hours of rental services?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
3.) Do you maintain a separate bank account for rental security deposits?	☐ Yes ☐ No	☐ Yes ☐ No	☐ Yes ☐ No
4.) Please indicate if the property is for a Single Family or a Multiple Family Residence.	☐ S ☐ M	☐ S ☐ M	☐ S ☐ M
5.) Date Property **FIRST AVAILABLE** for Rent?	_____	_____	_____
6.) Date Property first **ACTUALLY** Rented?	_____	_____	_____

7.) Did you make any payments during the year that would require you to file Form(s) 1099? ☐ Yes ☐ No

8.) If "Yes," did you or will you file required Forms 1099? (Please provide copies) ☐ Yes ☐ No

Car and Truck Expenses Worksheet

Taxpayer Name: _____ Tax Year: _____

Vehicle Information	Vehicle 1	Vehicle 2	Vehicle 3
Do you have a company car titled in the name of your business? ____YES _____NO	_____YES _No	_____YES _NO	
Do you use your personal vehicle for Business or servicing your rental?	____YES _____NO	_____YES _____NO	_____YES _____NO
Indicate which type of vehicle you are listing expenses for: "B" Business "P" Personal	☐ B ☐ P	☐ B ☐ P	☐ B ☐ P
Make and Model of vehicle	_____	_____	_____
Date placed in service	_____	_____	_____
Purchased New or Used	_____	_____	_____
Type of vehicle – Auto/Truck/SUV	_____	_____	_____
Gross Vehicle Weight **(Very Important)**	_____	_____	_____
Cargo Area Length (Truck Bed)	_____	_____	_____
Total miles for the year	_____	_____	_____
Business miles for Period: 1/1 - 12/31	_____	_____	_____
Personal miles for Period: 1/1 - 12/31	_____	_____	_____
Is another vehicle available for personal use?	____YES _____NO	_____YES _____NO	_____YES _____NO
Was the vehicle available for personal use during off-duty hours?	____YES _____NO	_____YES _____NO	_____YES _____NO
Was the vehicle used primarily by a more than 5% owner or related person?	_____YES _____NO	_____YES _____NO	_____YES _____NO
Is there evidence to support the business use claimed?	____YES _____NO	_____YES _____NO	_____YES _____NO
If "Yes", is the evidence written?	____YES _____NO	_____YES _____NO	_____YES _____NO
Was the vehicle leased?	____YES _____NO	_____YES _____NO	_____YES _____NO

Expenses

Gasoline, oil, repairs, insurance, etc.	_____	_____	_____
Vehicle registration, license (excluding property taxes)	_____	_____	_____
Vehicle lease or rental fees	_____	_____	_____
Was the vehicle financed?	____YES _____NO	_____YES _____NO	_____YES _____NO
Interest paid for the year	_____	_____	_____

TANGIBLE PERSONAL PROPERTY CURRENT YEAR INFORMATION
(Complete/submit this form prior to February 10th in order to meet the filing deadline)
(Complete separate form for each rental property)

Property owner name(s) _____
Property address _____

Do you have a Tangible Return form from the County? No☐ YES☐ If yes, please sign & provide.

Do you have an Exemption Certificate from the County? No☐ YES☐ If yes, please provide.

Additions: List all individual assets costing $200.00 or more that were purchased during the year (i.e., furniture, appliances, major improvements to the home, pools, fences, etc.): See note below.

	Description	Purchase Price	Purchase Date
1.			
2.			
3.			
4.			
5.			

Disposals: List all individual assets that were previously reported on a tangible return that were disposed of during the year (i.e., furniture, appliances, etc.):

	Description	Purchase Price	Purchase Date
1.			
2.			
3.			
4.			
5.			

Please supply copies of invoices for any repairs exceeding $500.00 or any capital improvements to the home in the tax year

A Capital Improvements Example Sheet is included in the last page

FIXED ASSET QUESTIONS
(Buildings, Improvements, Furniture, Fixtures, Equipment, Vehicles, etc.)
Please Provide Detailed Information for any individual item with a cost of $200**
In order to raise the limit to $2,500** for the New Year you
**** Must have adopted a Capitalization Policy - please complete the next page**

Sales tax audits continue to be a source of revenue for each State. In general you must pay sales tax on any items you purchase that are not re-sold including office supplies, equipment, online and **out-of-state purchases**. You need to charge sales tax on any items you sell (not labor if separately stated on the invoice), except for those customers for whom you have a valid exemption certificate on file. **Make sure that you file sales tax returns in all states in which you have an office, store, salespeople or other presence.**

a. Were any fixed assets scrapped and/or stolen during the year? □Yes □No

b. Were any fixed assets traded during the year? □Yes □No

c. Did you purchase any fixed assets during the year with **personal funds**? □Yes □No

d. Were any fixed assets sold during the year and the money not deposited into your business checking account? □Yes □No

e. Did you purchase any assets from (out of state locations, internet, etc.) for which you did NOT pay sales tax? (if yes, please provide receipts) □Yes □No

f. Did you purchase any assets you have not previously told us about? □Yes □No

g. Did you purchase any buildings, other real property or make any building improvements? □Yes □No

h. Did you make any repairs or improvements to buildings or structural components during the year in excess of $200? If yes, provide copies of all receipts. □Yes □No

i. Did you make any repairs costing in excess of $200 to any equipment or other fixed assets during the year (unless you have a policy which allows for a $500 limit for the current year) If yes, provide copies of all receipts. □Yes □No

If "YES" to any question above, please provide more details on a separate sheet of paper and provide copies of all sales invoices, purchase receipts, to explain or support the correct reporting of the item.

_____

(Insert your **company name**, if applicable, or **taxpayer name** if none)

It is the adopted policy of this business and/or property owner, for both book and Federal income tax purposes, the following policy regarding capitalization expenses for the year beginning January 1, 2019.

In accordance with Internal Revenue Code Sections 167 and 168 and related Regulations, this business and/or property owner has determined that amounts whose individual cost (including tax, installation and delivery costs) does not exceed $2,500., will be deducted as incurred as an operating expense.

Amounts exceeding this dollar limit will be examined individually to determine if their use or purpose requires capitalization under the betterment, adaptation or restoration rules used by the Internal Revenue Service and will be capitalized or expensed as incurred as a result of the application of those rules."

_____	_____
Signature of Duly Authorized Business Owner and/or Property Owner	Printed Name of Authorized Business Owner and/or Property Owner

CAPITAL IMPROVEMENTS INFORMATION

Improvements

These add to the value of your home, prolong its useful life, or adapt it to new uses. You add the cost of additions and improvements to the basis of your property.
The following chart lists some examples of improvements.

Examples of improvements that increase your basis. Keep original paid receipts for your records.

Additions: Bedroom, Bathroom, Deck, Garage, Porch, Patio
Lawn & Grounds: Landscaping, Driveway, Walkway, Fence, Retaining Wall, Swimming Pool
Exterior: Storm windows/doors, New roof, New siding
Insulation: Attic, Walls, Floors, Pipes and duct work
Systems: Solar, Heating, Central air conditioning, Furnace, Duct work, Central humidifier, Central vacuum, Air/water filtration systems, Water heater, Soft water system, Plumbing, Septic system, Wiring, Security system, Lawn sprinkler system
Plumbing: Septic system, Water heater, Soft water system, Filtration system
Interior: Built-in appliances, Kitchen modernization, Flooring, Wall-to-wall carpeting, Fireplace

Repairs These maintain your home in good condition but do not add to its value or prolong its life. You do not add their cost to the basis of your property.

Example Repainting your house inside or outside, fixing your gutters or floors, repairing leaks and replacing broken window panes are examples of repairs.

Exception Repairs done as part of a larger project
You can include repair-type work if it is done as part of an extensive remodeling or restoration job. For example, replacing broken windowpanes is a repair, but replacing the same window as part of a project replacing all the windows in your home counts as an improvement.

Tax Return Engagement Letter

This letter is to confirm our understanding for the preparation of your tax returns. In order to ensure an understanding of our mutual responsibilities, we ask all clients for whom we prepare tax returns to confirm the following arrangements.

We will prepare your individual federal and, if necessary, state income tax returns. Your returns will be prepared from information you provide to us in accordance with the appropriate income tax laws and regulations. We will not audit but otherwise may verify the data you submit to us, although it may be necessary to ask you for clarification of some of the data.

We will contact you in writing or by email should we require additional information or clarification to complete your returns. We will not continue to prepare your tax return until all additional information has been received and/or questions answered by you.

It is your responsibility to provide all information required for the preparation of complete and accurate income tax returns. You should retain all supporting documents, canceled checks and any other data that forms the basis of income and deductions reported on the tax returns. Note that some items such as auto expenses, travel expenses, and certain charitable contributions require contemporaneous written records to allow a deduction. If you should submit tax documents, complete or in part, with insufficient time for the firm to prepare a complete and accurate return timely or if the you do not provide the firm with adequate time to respond to a request by the Internal Revenue Service, you will not hold Cape Coral Accounting Service Inc., responsible for late submission or delay of your tax return.

We will use professional judgment in resolving questions where the tax law is unclear or there is conflicting authority for the tax position, utilizing the "more likely than not" sustainable position approach to resolving the question.

You have the final responsibility for the accuracy and completeness of your income tax returns and therefore, you should review them carefully before you sign and file them with the tax authorities.

After all information has been delivered to our office, please allow two to three weeks' time for completion of your returns. We will contact you when your return is completed. Tax return information received in our office after March 21, may cause your returns to be placed on a filing extension. Please note that an extension of time for filing the tax return does not extend the time for paying any tax due.

If your returns are selected for audit or if you receive notices from any taxing authority, we are available to assist you in those matters. Fees for any additional services will be billed separately from the preparation of your returns.

Our fees for the preparation of your income tax returns are due and payable upon presentation of your returns. Payment may be made by cash, check or credit card. A service charge of 1-1/2 percent per month will be charged on all open balances over 30 days old.

Our company Privacy Policy is posted online at our website, for your review.

DECLARATION:

I/We have provided the information on this form to the best of my/our knowledge and hereby declare it is complete and ready for the preparation of my/our income tax returns. For the deductions shown, I/We acknowledge having spent these amounts and have kept a log or diary of such activities, pursuant to IRC Section 274(a) and can fully substantiate such deductions. I/We acknowledge and confirm the arrangements for preparation of my/our income tax returns.

_____ _____

TAXPAYER SIGNATURE (must be signed) **DATE**

_____ _____

SPOUSE SIGNATURE (must be signed) **DATE**

Disclosure: We are informing you that any U.S. federal tax advice contained in this document is not intended or written to be used, and cannot be used, for the purpose of avoiding penalties under the Internal Revenue Code.