



Greensboro Landlords Association

Meeting Minutes
February 14th, 2023

Opening:

The monthly meeting of the Greensboro Landlords Association was called to order at 6:30 on February 14th, 2023 at the Piedmont Triad Apartment Association by our President, Steve Tyree.

Attendance:

34 Members were recorded by 3rd Party Vendor, Jennifer Dille with TESS, LLC.

Announcements:

- **Welcome to our 2nd meeting for 2023!** And Happy Valentine’s Day!
- **Thank you to everyone who has paid your dues for 2023. If you have not, you may always go on the website and pay or find John Jobe, our Treasurer, and give him your check or cash.** Individual - \$99
Joint - \$179
Business Sponsor – Includes logo on website and speaking time at meeting 4 Members- \$279
- **We are searching for new topics for our meetings.** Any ideas see me or any Board Member after the meeting or email Jenn at info@greensborolandlord.com . (Leases – sub-committee?)
- **Watch your listings!** We had another member have their listing hijacked. This time it was a home for sale. Be careful who you give the keys. **And watermark your photos!**
- **Our Coffee Chat is next Tuesday, February 21st at Amoroso’s Bakery.** It is from 4:15 – 5:00 PM. These are really great meetings that allow more in-depth conversations.
- **Do we have any guests or new members that would like to introduce themselves? David Bull and John Baptiste Merpako.**
- **Do we have any GLA sponsors or Corporate Members that would like to stand and introduce themselves to the group? T’Vinci Properties**
- **Finally do any members that have any questions, comments or announcements?** 2 people searching for Section 8, 3 bed 2 bath, one for \$1,500 and other \$1,000. If you have availability email Jenn.

6:37- 6:45 - **Steve**– Review Pest and Critter Controllers from the newly named Preferred Vendors:

Advanced Pest - Darryl	Pest control	202-6218	
Alvin Parker - Parker Brothers Pest Control	Pest control	379-8100	Renee Vaughan-Goode
Pest Patrol - Clay Metcalf	Pest control	454-5336	
PMI - Billy Tesh	Pest control	272-4400	Kerri Person

Welcome local CPA, Sandy Shelton. Always great and funny!

Here is the link to the complete meeting video: <https://youtu.be/BEfvYCCDpa0>

BY SANDY SHELTON

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2023 TAX UPDATE

WHAT WE WILL COVER

- JOKES, AND MORE JOKES
- THE DIFFERENCE BETWEEN ACTIVE AND PASSIVE INCOME
- BENEFITS OF OWNER FINANCING
- THE SAFE HARBOR ACT
- LOVE THY CPA
- MISC TOPICS

JOKES -

THE PROBLEM WITH
KLEPTOMANIACS IS THAT THEY
ALWAYS TAKE THINGS
LITERALLY.

I USED TO THINK I WAS
INDECISIVE. BUT NOT I'M NOT
SO SURE.

ACTIVE VERSES PASSIVE INCOME

- THINK OF THE SUPERBOWL–QUARTERBACK OR COUCH POTATO.
- FLIPS VERSES RENTALS
- SELF EMPLOYMENT TAX
- PASSIVE LOSSES
- BACK IN THE DAY -1986 CHANGE IN THE TAX LAW

EXAMPLE – THE FLIP

USUALLY ONE YEAR OR LESS.

YOU WERE THE QUARTERBACK,
SHORT TERM GAIN UPON SALE

AND IF YOU DO MORE THAN THE OCCASIONAL FLIP, IT'S A BUSINESS. IF IT IS A BUSINESS, YOU CAN WRITE OFF MORE EXPENSES TO REDUCE THE INCOME, LIKE THE TRUCK, HEALTH INSURANCE, INVEST IN A RETIREMENT ACCT

VERSUS THE RENTAL

- BUY AND HOLD – THE INTENTION IS TO KEEP THE PROPERTY AND EARN INCOME MONTHLY THROUGH RENTS
- WHEN SOLD, THE GAIN IS LONG TERM.
- THIS MEANS A MORE FAVORABLE TAX RATES
- CAN BE AS LOW AS 0 FOR FEDERAL PURPOSES, AND CAPPED AT 28%.
- YOU STILL ARE “PARTICIPATING” IN REALTY, JUST NOT FOR TAX PURPOSES.

ACTIVE VERSUS PASSIVE

- YOU CAN BE BOTH. A LOT OF PEOPLE IN REAL ESTATE ARE. THEY DO FLIPS AND HAVE RENTAL PROPERTY.
- THIS MAKES YOU A REAL ESTATE PROFESSIONAL, WHICH MEANS YOUR PASSIVE LOSSES CAN OFFSET YOUR ACTIVE INCOME
- OTHERWISE, PASSIVE LOSSES CANNOT OFFSET ACTIVE INCOME
- (EXCEPT THE \$25000 RULE – YOU DON'T QUALIFY AS A REP, YOUR INCOME IS LESS THAN \$125,000, HAVE A \$25000 PASSIVE LOSS. YOU CAN OFFSET THE \$25000 AGAINST YOUR ACTIVE INCOME)

PASSIVE LOSSES

- WHY DO YOU WHY DO YOU HAVE PASSIVE LOSSES???
- THE ONLY ANSWER I CAN COME UP WITH IS THAT YOU GENERATED THE LOSS WITH COMPONENTIZED DEPRECIATION AND YOU WERE ABLE TO USE THE \$25000 RULE THROUGH BONUS DEPRECIATION
- ADD BACK FOR NC
- BUT IF YOU HAVE CONTINUAL LOSSES, SOMETHING IS NOT RIGHT.

JOKES -

- MAYBE IF WE TELL PEOPLE THEIR BRAIN IS AN APP, THEY'LL WANT TO USE IT
- WHAT'S THE DIFFERENCE BETWEEN OUTLAWS AND INLAWS?



BENEFITS OF OWNER FINANCING

- FINANCIAL -SPREAD THE GAIN OVER TIME
- INCOME COMING IN IS CONSISTENT
- WHEREAS THE STOCK MARKET FLUCUATES
- FINALLY, YOU REALLY ARE THE COUCH POTATO
- AND IF YOU SOLD TO YOUR TENANT, YOU ARE HELPING HIM OUT AS WELL

BENEFITS UPON SALE

- IF YOU TAKE THE MONEY AND RUN THROUGH, YOU NEED TO INVEST IT
- ELSE YOU WILL RUN THROUGH IT LIKE WATER
- LET'S GO THROUGH A SITUATION
- IN THIS CASE YOU REINVESTED ALL THE MONEY FOR 30 YEARS
- I WANTED IT TO BE APPLES TO APPLES

HERE'S THE SITUATION

- YOU PURCHASED THE RENTAL 10 YEARS AGO FOR \$50,000
- USING OPM, PAYING IT OFF WITH THE RENTS COMING IN
- IT'S PAID IN FULL UPON SALE
- DEPRECIATION FOR 10 YEARS IS \$18000, 27.5 YEARS
- YOUR BASIS THEN IS \$38,000
- YOU SELL IT FOR \$100,000, GAIN OF \$62,000
- OWNER FINANCING AT 6% FOR 30 YEARS

OPTION ONE – JUST SELL IT

- IF YOUR INCOME IS \$100,000, THEN THE TAX DUE IS
- FEDERAL \$17,360 (65k X 28%), STATE \$3,100 (5%)
- TOTAL IS \$24,460, SO YOUR NET IS \$75,540
- YOU INVEST IT IN STOCKS (NOT MUTUAL FUNDS) AND AVERAGE 5%/YEAR (3.75% AFTER TAXES). AFTER 30 YEARS, YOUR INVESTMENT HAS GROWN TO \$227,940.
- SINCE YOU USED OPM INITIALLY, THIS IS WHAT YOU EARNED FOR YOUR PASSIVE ACTIVITY, MAKING \$7598 AS A COUCH POTATO

OPTION TWO – OWNER FINANCING BUYER

- BUYER IS ANOTHER INVESTOR, NOT THE TENANT. TERMS ARE 6%, WITH A BALLOON IN 5 YEARS.
- PMTS ARE \$600 PER MONTH, TOTAL RECEIVED \$36,000
- AFTER TAXES ON THE PAYMENTS ARE \$1737 (20%) AND \$11610 (40%)
- THE AFTER TAX MONTHLY INCOME IS \$378 PER MONTH, WHICH YOU REINVEST EACH MONTH.
- AFTER FIVE YEARS THAT GENERATES \$24,381

OPTION TWO CON'T

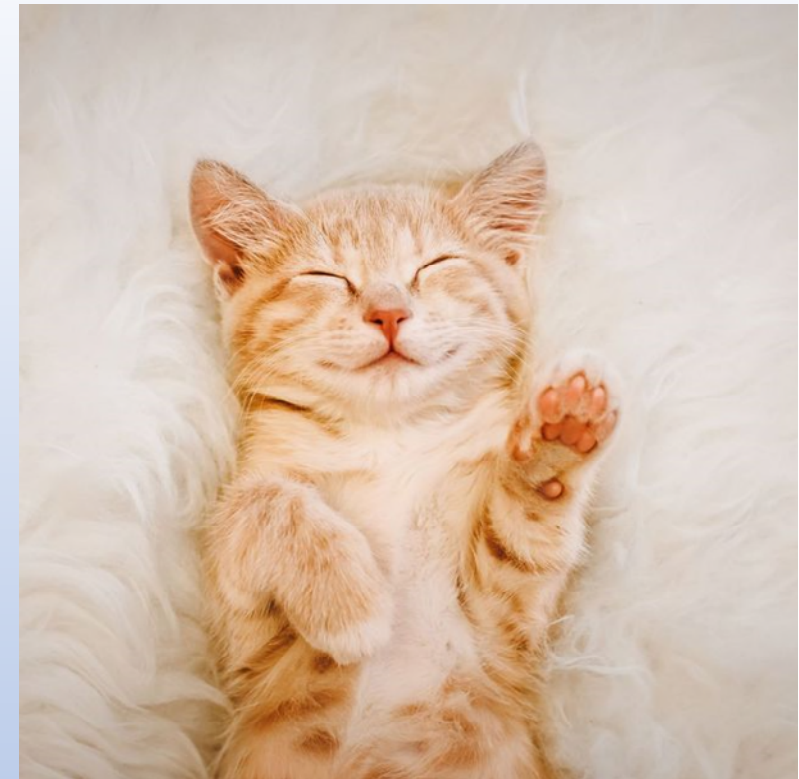
- PAYOFF IS \$93,402, TAXES ARE \$23,350, NETTING \$69,790
- YOU REINVEST THE $\$24,381 + 69,790 = \$94,171$ FOR 25 YEARS
- AT 3.75 (AFTER TAXES), YOU NOW HAVE \$236,385
- OWNER FINANCING FOR JUST 5 YEARS EARNED YOU
- \$8,445 MORE THAN JUST SELLING OUT RIGHT

OPTION THREE TENANT OWNER FINANCING

- YOU FINANCE THE WHOLE THING FOR 6%, 30 YEARS
- THE MONTHLY PAYMENT IS \$600. AFTER PAYING TAXES, YOU NET \$429 PER MONTH.
- REINVEST THAT FOR 30 YEAR AT 3.75%,
- YOU NET \$276,958
- AT A MINIMUM YOU NET \$49,018 MORE, AND MAYBE \$65,158

MORE JOKES

- WHAT HAS MORE LIVES THAN A CAT?
- WHAT DOES CORN SAY WHEN IT GETS A COMPLIMENT?
- WHAT WAS FORREST GUMP'S PASSWORD?



THE SAFE HARBOR ACT -

- THIS IS SIMPLY AN ADMINISTRATIVE CONVENIENCE FOR TAX PURPOSES. IT ALLOWS BUSINESS THAT DO NOT HAVE AUDITED FINANCIAL STATEMENTS NOT TO CAPITALIZE PURCHASES OF TANGIBLE PERSONAL PROPERTY
- MAKE AN ELECTION TO EXPENSE ITEMS THAT NORMALLY WOULD HAVE BEEN CAPITALIZED (DEPRECIATED) UP TO \$2500 PER ITEM.
- TANGIBLE PERSONAL PROPERTY ARE ITEMS THAT HAVE A DEPRECIABLE LIFE OF 15 YEARS OR LESS SUCH AS COMPUTERS, FURNITURE, EQUIPMENT ETC

THE SAFE HARBOR ACT CON'T

- YOU CANNOT USE IT FOR LEASEHOLD IMPROVEMENTS SUCH AS WINDOWS OR HVACS, OR MAJOR REPAIRS/RENOVATIONS
- ELECTION- SAFE HARBOR ELECTION FOR SMALL TAXPAYERS
- MAKE THE ELECTION ANNUALLY.
- MUST APPLY TO ALL EXPENDITURES MEETING THE CRITERIA THAT YEAR

SECONC AREA -DE MINIMIS SAFE HARBOR ELECTION

- THIS AREA COVERS “BETTERMENTS, IMPROVEMENTS, RESTOREMENTS, AND ADAPTIONS”
- ELECTION IS ALSO ANNUALLY
- INCOME IS \$10 MILLION OR LESS
- OWNS OR LEASES A BUILDING WORTH LESS THAN \$1 MILLION
- TOTAL IMPROVEMENT IS LESS THAN
 - 2% OF THE BASIS OF THE UNIT
 - \$10000

A BETTERMENT

- YOU MAKE IT “BETTER”
- EXPANSION-REFINISHES A LOFT TO MAKE MORE SPACE
- AMTS PAID WHICH CURES A DEFECT OR CONDITION PRIOR TO PLACING IT IN SERVICE – EXAMPLE -BUYS LAND WITH A LEAKING STORAGE TANK. COSTS TO REMOVE THE TANK “CURES THE DEFECT”
- AMTS PAID TO INCREASE PRODUCTIVITY, OR ITS NATURAL LIFE-EXPANSION BOLTS ADDED TO A BUILDING IN AN EARTHQUAKE AREA

IMPROVEMENTS – RESTORE IT

REPLACEMENT OF A MAJOR COMPONENT OR SUBSTANTIAL STRUCTURAL PART.

REBUILDING TO LIKE NEW CONDITION

EXAMPLES – PROPERTY DAMAGED BY A HURRICANE

REDOING A VEHICLE

IMPROVEMENTS - ADAPTATION

- NEW OR DIFFERENT USE – EQUIPMENT IS ADAPTED TO MAKE WIDGETS INSTEAD OF ENGINES.
- CONVERTS A FISHING BOAT INTO A SIGHT SEEING BOAT
- NOT AN ADAPTATION WOULD BE FIXING UP A BUILDING TO SELL

LAST ELECTION - REPAIRS AND MAINTENANCE

- ELECTION TO CAPITALIZE REPAIR AND MAINTENANCE COSTS
- HAVE YOUR EXPENSE POLICY IN PLACE AND FOLLOW IT
- MAKE THE ELECTION AND FILE IT WITH YOUR RETURN
- FOR REPAIRS AND MAINTENANCE ITEMS UP TO \$2500
- EXAMPLES MIGHT BE A NEW TIRES FOR EQUIPMENT USED IN THE FACTORY. BECAUSE THEY COST \$2499, YOU SHOULD CAPITALIZE THE COST. THIS ELECTION ALLOWS YOU TO EXPENSE IT.

THOUGHTS ON THIS

- REALLY APPLIES TO THE LARGER COMPANIES
- YOU CAN USE BONUS DEPRECIATION ON ITEMS OVER \$2500
- THE SAVINGS COME IN FOR NC TAX PURPOSES
- YOU HAVE TO ADD BACK BONUS DEPRECIATION AND TAKE IT OVER 5 YEARS
- IF YOU CAN WRITE IT OFF, NO STATE ADJUSTMENT
- THIS IS NOT COMPENTIZED DEPRECIATION
- COUNTIES WANT THIS LISTED ON THE PROPERTY TAX LISTINGS

LOVE THY CPA

- LESS PEOPLE ARE GOING INTO THIS PROFESSION
- TAX SEASON IS GRUELING
- HARD ON YOUR PERSONAL LIFE
- CPA BABY BOOMERS ARE RETIRING
- AS A CPA, I WOULD ASK YOU NOT TO PROSCRASTINATE
- BE PATIENT. ONCE I START ON A RETURN, I DO NOT WANT TO PICK IT UP AGAIN. SO I WILL NAG YOU. DROP WHAT YOU ARE DOING AND ANSWER THE QUESTIONS

MISC ITEMS

- MILEAGE RATES FOR 2022 58.5 FOR THE FIRST SIX MONTHS
- 62.5 FOR THE LAST SIX MONTHS
- GIVE YOUR CPA THE MILEAGE FOR EACH PERIOD
- NO ZEROS

- 1099K'S DELAYED UNTIL 2024
- IF YOU GET ONE AND IT IS INCORRECT, SHOW THE HIGHER NUMBER

FINAL JOKES

- WHAT WOULD BEARS BE WITHOUT BEES?
- WHERE DO POLAR BEARS KEEP THEIR MONEY?

- TIME FLIES LIKE AN ARROW
- FRUIT FLIES LIKE A BANANA

- WHY WAS CINDERELLA SO BAD AT SOCCER

Questions?

Sandy Shelton PLLC

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Closing

Thank you everyone and Sandy for a great presentation. We will need to have you back to finish up the 2nd half of your presentation.

Coffee Chat is Tuesday the 21st.

Next month is Michelle Kennedy from City of Greensboro discussing the Demo List

Have a wonderful evening everyone. Good night!

Minutes submitted by: Jennifer Dille with TESS, LLC