



## RENTAL PROPERTY AND DEPRECIATION

If you made any of these improvements, please give me the date the improvement was made, and the **SEPARATE cost** for each improvement. For example: Correct way: 3/1/2018 new roof \$10,000, and 2 windows repaired \$2,500 each; Incorrect: 2018 improvement and repairs \$15,000 for kitchen and window.

### Examples of Improvements

<b>Additions</b>	<b>Miscellaneous</b>	<b>Plumbing</b>
Bedroom	Storm windows, doors	Septic system
Bathroom	New roof	Water heater
Deck	Central vacuum	Soft water system
Garage	Wiring upgrades	Filtration system
Porch	Satellite dish	
Patio	Security system	
		<b>Interior Improvements</b>
		Built-in appliances
		Kitchen modernization
		Flooring
		Wall-to-wall carpeting
		<b>Insulation</b>
		Attic
		Walls, floor
		Pipes, duct work
<b>Lawn &amp; Grounds</b>	<b>Heating &amp; Air Conditioning</b>	
Landscaping	Heating system	
Driveway	Central air conditioning	
Walkway	Furnace	
Fence	Duct work	
Retaining wall	Central humidifier	
Sprinkler system	Filtration system	
Swimming pool		

**Table 2-1. MACRS Recovery Periods for Property Used in Rental Activities**

<b>Type of Property</b>	<b>MACRS Recovery Period</b>	
	<b>General Depreciation System</b>	<b>Alternative Depreciation System</b>
Computers and their peripheral equipment	5 years	5 years
Office machinery, such as:	5 years	6 years
• Typewriters		



<ul style="list-style-type: none"> <li>Calculators</li> <li>Copiers</li> </ul>		
Automobiles	5 years	5 years
Light trucks	5 years	5 years
Appliances, such as: <ul style="list-style-type: none"> <li>Stoves</li> <li>Refrigerators</li> </ul>	5 years	9 years
Carpets	5 years	9 years
Furniture used in rental property	5 years	9 years
Office furniture and equipment, such as: <ul style="list-style-type: none"> <li>Desks</li> <li>Files</li> </ul>	7 years	10 years
Any property that doesn't have a class life and that hasn't been designated by law as being in any other class	7 years	12 years
Roads	15 years	20 years
Shrubbery	15 years	20 years
Fences	15 years	20 years
Residential rental property (buildings or structures) and structural components such as furnaces, waterpipes, venting, etc.	27.5 years	30 years <sup>1</sup>
Additions and improvements, such as a new roof	The same recovery period as that of the property to which the addition or improvement is made, determined as if the property were placed in service at the same time as the addition or improvement.	



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# Rental Property Worksheet

Please use this worksheet to give us your rental income and expenses for preparation of your tax returns.

Please download, open in Adobe, complete and securely upload the PDF to your client portal. Please do not email this worksheet since it contains sensitive information. You can access your client portal here-

<https://howardtaxprep.com/portal-access>

**Caution:** many browsers will give you the warm fuzzy that your information is being saved however when we receive it, the PDF is blank. As such, please download first and then open with Adobe, rather than using your browser.

## Worksheets Available

Here is a list of our worksheets. As mentioned before, you do not have to replicate data that is available elsewhere. For example, mortgage interest and real estate taxes reported on Form 1098 do not need to be entered again with our worksheets. Let's keep life simple and easy for you; that's why you hired us.

Contact Info	Used for basic contact information
Dependents	Used for dependents and dependent care
Education	Used for education expenses, student loans, 529
Deductions	Used for moving, medical, local taxes, home, charity, IRA
Small Business	Used for LLCs and S Corps to report income and expenses
Rental Property (this one)	Used for rental property income and expenses
Auto Expenses	Used for actual expenses and mileage information
Home Office	Used for home office deductions
Property Sale	Used for reporting real estate sales, home and rental
ExPat	Used for expatriates to report foreign income, dates
Annual Questionnaire*	Used for tax questions including retirement contributions

\* Everyone is strongly encouraged to review the annual questionnaire. As tax laws change from year to year, we need to ask questions to ensure you are getting the most out of your tax returns.

## Person Submitting form

Your Name \_\_\_\_\_ Cell Phone \_\_\_\_\_

Primary Email \_\_\_\_\_

Tax Year \_\_\_\_\_ Date Worksheet Completed \_\_\_\_\_

Is this an update to a previously submitted worksheet?      Yes      No

Our apologies upfront. This form is ridiculously long. But there is a bunch of information we need for new clients or for those who just became landlords.

**Existing clients!** Welcome back... you only need to complete the pertinent rental income and expense categories, and any improvements.

There is some excellent information in our KnowledgeBase articles about how rental properties affect your taxes, depreciation, **passive loss limits**, repairs versus improvements, LLC ownership, etc. There is also a huge section about Real Estate Professional and how to qualify. You can check it out at-

Property Address \_\_\_\_\_

Property City State and Zip \_\_\_\_\_

If this rental property is not in the same state as you, a non-resident tax return for that state will be prepared and filed even if your rental loses money. The rule is simple- if you have an income producing asset in a taxing jurisdiction, a tax return is required. In many cases, this works to your advantage since this will help maintain your disallowed or non-deducted losses plus provide historical information for future capital gains calculations.

### Rental Income, Rent Received

Rents Rec'd (on 1099s) \_\_\_\_\_

Rents Rec'd (not on 1099s) \_\_\_\_\_

### Mortgages

Please send your mortgage interest statements (Form 1098) and any other year-end statements. We will use that information to compute your deduction for mortgage interest, private mortgage insurance (PMI) and real estate taxes. Some lenders are excellent about printing the property address on the Form 1098. If your lender does not, and you want to be cool, please write down the rental property address on your tax documents.

Mortgage Interest 1 \_\_\_\_\_ Lender 1 \_\_\_\_\_

Mortgage Interest 2 \_\_\_\_\_ Lender 2 \_\_\_\_\_

Mortgage Interest 3 \_\_\_\_\_ Lender 3 \_\_\_\_\_

Other Interest \_\_\_\_\_ PMI (total) \_\_\_\_\_

# Rental Property Worksheet

Name \_\_\_\_\_

Tax Year \_\_\_\_\_

Rental Address \_\_\_\_\_ Monthly Rent \$ \_\_\_\_\_ X \_\_\_\_\_ Months **PAID** = \$ \_\_\_\_\_

**Where to list expenses on this sheet:** Improvements increase the value of your property, and must be depreciated over time. Repairs keep your rental in livable condition, but do not increase its value.

**Reminder:** If you pay someone to clean, repair, or make improvements, get a receipt (or make a receipt and have them sign it.) If you're audited, you will be allowed deductions you have receipts for, so save them carefully. No deduction is allowed for the value of your own labor. **DO NOT ROUND** – use exact amounts.

<b>Taxes:</b>	\$ _____	<b>Improvements:</b>		<b>Repairs:</b>	
		Alarm System	\$ _____	Appliance Repairs	\$ _____
<b>Interest:</b>		Appliances	\$ _____	Carpet / Tile Repairs	\$ _____
Mortgage	\$ _____	Bath Fixtures	\$ _____	Cement / Step Repairs	\$ _____
Home Imp Loan	\$ _____	Carpeting	\$ _____	Dry Wall Repairs	\$ _____
Late Charges	\$ _____	Cement (new)	\$ _____	Electric Repairs	\$ _____
		Cupboards	\$ _____	Flooring Repairs	\$ _____
<b>Insurance:</b>		Doors (new)	\$ _____	Fence Repairs	\$ _____
Fire / Casualty	\$ _____	Furnace (new)	\$ _____	Furnace Repairs	\$ _____
Loan Ins (PMI)	\$ _____	Garage (new)	\$ _____	Glass / Screen Repairs	\$ _____
		Plumbing (new)	\$ _____	Lock / Alarm Repairs	\$ _____
<b>Utilities:</b>		Rewiring (new)	\$ _____	Plumbing Repairs	\$ _____
Alarm Service	\$ _____	Roof (new)	\$ _____	Porch / Siding Repairs	\$ _____
Electricity	\$ _____	Siding (new)	\$ _____	Roof / Gutter Repairs	\$ _____
Heat	\$ _____	Storm Doors (new)	\$ _____	Siding Repairs	\$ _____
Water	\$ _____	Windows (new)	\$ _____	Water Htr Replace	\$ _____
Telephone	\$ _____	Well / Septic (new)	\$ _____	Waterproofing	\$ _____
Trash Removal	\$ _____	Tile Flooring (new)	\$ _____		
				<b>Repairs Related:</b>	
<b>Other Expenses:</b>		<b>Paint / Wallpaper:</b>		Equipment Rental	\$ _____
Accounting	\$ _____	Paint + Supplies	\$ _____	Repair Supplies	\$ _____
Advertising	\$ _____	Painter Labor	\$ _____	Tools Purchase	\$ _____
Bank Srv Chgs	\$ _____	Wallpaper	\$ _____	Truck Rental	\$ _____
Commissions	\$ _____	Paperhanger Labor	\$ _____		
condo Fees	\$ _____			<b>Yard Work:</b>	
Eviction Expense	\$ _____	<b>Cleaning:</b>		Fertilizer	\$ _____
Legal Fees	\$ _____	Carpet Cleaning	\$ _____	Grass Seed	\$ _____
Key Replacement	\$ _____	Furnace Cleaning	\$ _____	Landscaping	\$ _____
Manager Fees	\$ _____	General Cleaning	\$ _____	Lawn Cutting	\$ _____
Office + Postage	\$ _____	Gutter Cleaning	\$ _____	Lawn Spraying	\$ _____
Pest Control	\$ _____	Wall Washing	\$ _____	Rakes + Tools	\$ _____
		Cleaning Products	\$ _____	Shrubs + Flowers	\$ _____
<b>Out of town Rentals ONLY:</b>				Snow Removal	\$ _____
Airfares	\$ _____	<b>Rent Related</b>		Tree Removal	\$ _____
Auto Rentals	\$ _____	<b>Driving:</b>		Tree Trimming	\$ _____
Hotels	\$ _____	(to supply stores and repair shops, collect			
Meals	\$ _____	rent, or to show tenants)			
Toll Phone Calls	\$ _____	Business Miles	\$ _____		

**New Rentals:** If you bought the rental property this year, we need the purchase papers. If you converted a property from personal use, to a rental, we need the original cost when it was first purchased, and a list of all improvements and their costs made while you lived in it.



<b>Expenses Advertising Total</b>	_____	Supplies Total	_____
Travel (no auto miles)**	_____	Utilities Total	_____
Cleaning, Maintenance Total	_____	HOA Dues Total	_____
Commissions	_____	Cell Phone (biz portion)*	_____
Hazard Insurance	_____	Internet (biz portion)*	_____
Legal, Professional Fees	_____	Other _____	_____
Management Fees Property	_____	Other _____	_____
Taxes Total	_____	Other _____	_____
Repairs Total	_____	Other _____	_____

\* Cell phone and internet expenses are for managing the property, calling tenants, performing background checks, coordinating with contractors, etc. These expenses are generally about 5-10% business use per rental.

\*\* Report mileage expense on the Vehicle Expense and Mileage worksheet

**Other Information**

Any other expenses or information that might be pertinent to your rentals? If so, please explain below:

**Improvements**

Did you make any improvements such as new roof, appliances, wall-to-wall carpet, etc.? If Yes, please detail the improvement, date and amount below-

### 2018 Rental Property Set Up Information

Complete this next section only if you began renting a property in 2018 or **if you are a new client**. When determining the value of the land, the property assessment from the county assessor can be helpful- we can also help with this too.

Original Purchase Date \_\_\_\_\_

Original Purchase Price \_\_\_\_\_

Portion of Price Attributed to Land \_\_\_\_\_

Date Property was Placed into Service \_\_\_\_\_

Service dates can be misleading. If the property was available for rent on Jan 1 but not rented until Mar 1, the property was technically placed into service on Jan 1. Again the service date is the date the property was available for rent.

Fair Market Value when Placed Service \_\_\_\_\_

### Personal Residence Conversion

If you owned the property as your personal residence and then converted it to a rental, the basis for depreciation and capital gains is **the lower** of the fair market value or the adjusted cost basis (there are some exceptions). Adjusted cost basis includes original closing costs, improvements, credits offered at purchase and any depreciation already taken. Simply put we need the Closing Disclosure Statement when you purchased and any improvements.

If applicable, please provide this information below so we can properly calculate your basis for depreciation (sounds fancy)-

### Closing Disclosure Statement Request

If you have not provided a closing disclosure statement (formerly known as the HUD) in connection with the purchase of this rental property, please try to do so. Several reasons- it helps us create a starting point for your depreciation and capital gains calculations since some acquisition costs are added to your cost basis. There are also some other expenses that might be deductible right away in the first year. Lastly, when you sell this property and you cannot find your original purchasing information, you need not worry since we have a copy.

### Prior Depreciation

If you are a new client with Howard Tax Prep LLC, and you had this property as rental on prior tax returns, we will need the full depreciation schedule. This is not always contained within your previous tax returns. We can help you with obtaining or determining this information too.

## Sale, Management

Did you sell or dispose of this rental property last year? If Yes, please complete the **Property Sale Worksheet** which asks all kinds of questions to ensure we minimize your capital gains and depreciation recapture. It is common for clients to forget about the new roof or what they originally paid, among other material items. Please submit the Property Sale Worksheet separately-

Have you or will you move back into the rental? If Yes, please provide some more details below-

Did you use the rental for personal use last year? Please tell us the number of days you, your family or close friends have used the rental without paying market rent, and provide a brief explanation below-

Is your rental considered a vacation rental? Do you list it on VRBO or AirBNB, like a ski-condo or beach house? If so, please explain below including the days rented and days used personally-

Do you share ownership with anyone else besides your spouse? If so, please provide the ownership percentages and the names of other owners below-

Do you rent a portion or unit of a multiple unit dwelling that you also reside in? Or do you rent a room out of your personal residence, or some other unusual rental situation? If so, please explain below-



### Mileage and Home Office

Vehicle expenses including mileage and business use of your home (home office) are only reported on the respective worksheets. Home office deduction is reserved for **Real Estate Professionals** only as defined by the IRS (see below).

For vehicle expenses including mileage, use the following link-

### Real Estate Professionals

If you own multiple rental properties and / or are electing yourself a **Real Estate Professional** for tax purposes, please inform us right away and read our tax article on this election (see link below). A home office deduction cannot be entertained without being a Real Estate Professional as defined by the IRS, or an active real estate agent. Real estate agents are NOT automatically considered Real Estate Professionals- the IRS definition is very strict and a real estate license or being a Realtor does not automatically satisfy the requirement. Please read our tax article which includes current and pertinent tax court cases and audit techniques-

## Disclosure

I(We) verify that the information provided in this **Rental Property Worksheet** is accurate and complete. I(We) understand it is my(our) responsibility to include any and all information concerning income, deductions and other information necessary for the preparation of my (our) personal income tax return.

Taxpayer Signature \_\_\_\_\_ Date\_\_\_\_\_

Printed Name \_\_\_\_\_

Spouse Signature \_\_\_\_\_ Date\_\_\_\_\_

Printed Name \_\_\_\_\_

Please call or email us anytime with your questions and concerns. Thank you in advance, and we look forward to working with you!

Howard Tax Prep LLC