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# The *New* Schedule E In the Real World

Presented by:

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# Schedule E

## *Hot Issues!*

- Disclosing Form 1099's
- Vacation / Short-Term Rental
- Qualified Joint Venture
- Self Rental





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# New Schedule E

- Major Facelift for 2011
  - The devil is in the details!
- Unlike the New Schedule D
  - Just a summary form now
- More on that in our Schedule D seminar





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# Why do we have a Schedule E?

- IRC §469
- Tax Reform Act of 1986
- Passive Activities
- At-Risk Rules
- Pass-Through Entities





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# Practice Management Tip



- Have a Process
- Have Procedures
- Do Your Due Diligence
- Ask The Right Questions



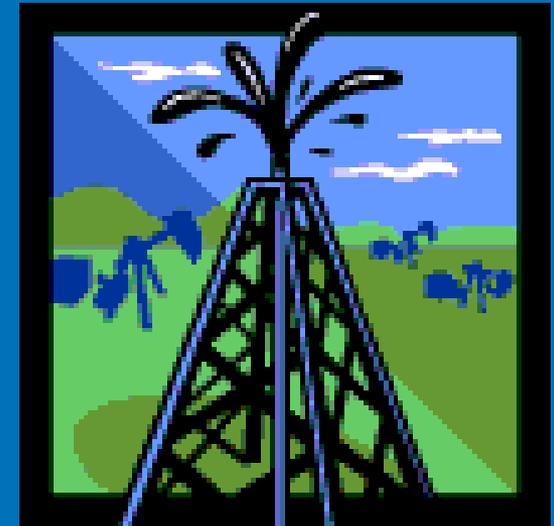
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# Schedule E

## Page 1

- What's New?
  - Lines A & B
    - 1099 Mystery
  - Line 1
    - Ask first! There is a code



**SCHEDULE E  
(Form 1040)**

Department of the Treasury  
Internal Revenue Service (99)

Name(s) shown on return

**Supplemental Income and Loss**

(From rental real estate, royalties, partnerships,  
S corporations, estates, trusts, REMICs, etc.)

▶ Attach to Form 1040, 1040NR, or Form 1041. ▶ See separate instructions.

OMB No. 1545-0074

**2011**

Attachment  
Sequence No. **13**

Your social security number

**A** Did you make any payments in 2011 that would require you to file Form(s) 1099? (see instructions)

Yes  No

**B** If "Yes," did you or will you file all required Forms 1099?

Yes  No

**Part I** **Income or Loss From Rental Real Estate and Royalties** **Note.** If you are in the business of renting personal property, use **Schedule C** or **C-EZ** (see instructions). If you are an individual, report farm rental income or loss from **Form 4835** on page 2, line 40.

**Caution.** For each rental property listed on line 1, check the box in the last column only if you owned that property as a member of a qualified joint venture (QJV) reporting income not subject to self-employment tax.

1	Physical address of each property—street, city, state, zip	Type—from list below	2	Fair Rental Days	Personal Use Days	QJV
<b>A</b>			For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions.	<b>A</b>		
<b>B</b>				<b>B</b>		
<b>C</b>				<b>C</b>		

**Type of Property:**

- |                           |                              |             |                    |
|---------------------------|------------------------------|-------------|--------------------|
| 1 Single Family Residence | 3 Vacation/Short-Term Rental | 5 Land      | 7 Self-Rental      |
| 2 Multi-Family Residence  | 4 Commercial                 | 6 Royalties | 8 Other (describe) |



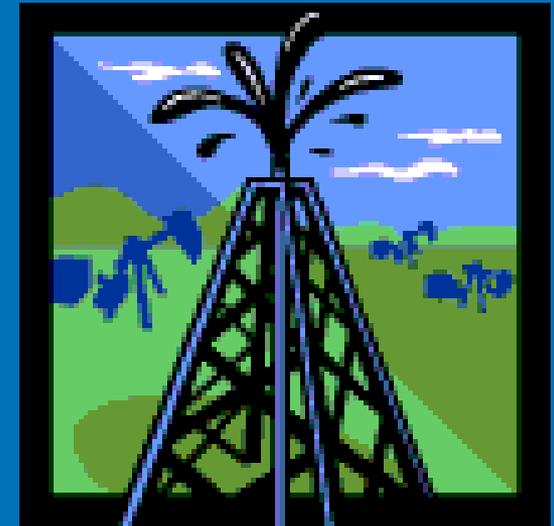
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					A	B	A	B	
A					A				
B					B				
C					C				

**Type of Property:**

- |                           |                              |             |                    |
|---------------------------|------------------------------|-------------|--------------------|
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# Schedule E

## Page 1

–Line 2

- Fair Rental Days
- Personal Use Days
- Qualified Joint Venture?



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**2011**

Attachment  
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Your social security number

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Yes  No

**B** If "Yes," did you or will you file all required Forms 1099?

Yes  No

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1	Physical address of each property—street, city, state, zip	Type—from list below	2 For each rental real estate property listed, report the number of days rented at fair rental value and days with personal use. See instructions.	Fair Rental	Personal	QJV
				Days	Use Days	
A				A		
B				B		
C				C		

**Type of Property:**

- |                           |                              |             |                    |
|---------------------------|------------------------------|-------------|--------------------|
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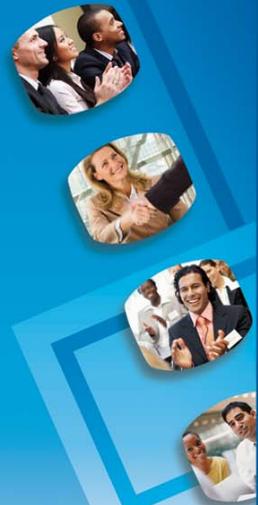


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# Vacation Home Short Term Rental

- IRC §280A
- 14 Day Rule
- Reporting Income
- Allocation of Expenses
  - 9<sup>th</sup> and 10<sup>th</sup> Circuit Court Rulings





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# Qualified Joint Venture

- Must be Husband and Wife
- New for 2011
- Both Must Materially Participate
  - IRC §469-5T – yep, temporary
- Community Property State Issues
- Simple Election – Is that a problem?





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# Passive Activity Loss Rules

- Passive Activities
- Nonpassive Activities
- Real Estate Professionals
  - Rev Proc 2011-34
- Exceptions – of course!



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# Self-Rental

- Know and Understand the Rules
- Income is Non-Passive Income
- Losses are Passive
  - Court Case *Carlos v. Comm*



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# Schedule E Income or Loss

- More Detail
- Line 3 - Form 1099-K
- Line 4 - Wait for it!
- Line 23!
  - Reconciliation of Amounts Reported

Income:	Properties					
	A		B		C	
<b>3a</b> Merchant card and third party payments. For 2011, enter -0-	<b>3a</b>					
<b>b</b> Payments not reported to you on line 3a. . . . .	<b>3b</b>					
<b>4</b> Total not including amounts on line 3a that are not income (see instructions) . . . . .	<b>4</b>					
<b>Expenses:</b>						
<b>5</b> Advertising . . . . .	<b>5</b>					
<b>6</b> Auto and travel (see instructions) . . . . .	<b>6</b>					
<b>7</b> Cleaning and maintenance . . . . .	<b>7</b>					
<b>8</b> Commissions. . . . .	<b>8</b>					
<b>9</b> Insurance . . . . .	<b>9</b>					
<b>10</b> Legal and other professional fees . . . . .	<b>10</b>					
<b>11</b> Management fees . . . . .	<b>11</b>					
<b>12</b> Mortgage interest paid to banks, etc. (see instructions)	<b>12</b>					
<b>13</b> Other interest. . . . .	<b>13</b>					
<b>14</b> Repairs. . . . .	<b>14</b>					
<b>15</b> Supplies . . . . .	<b>15</b>					
<b>16</b> Taxes . . . . .	<b>16</b>					
<b>17</b> Utilities . . . . .	<b>17</b>					
<b>18</b> Depreciation expense or depletion . . . . .	<b>18</b>					
<b>19</b> Other (list) ► _____	<b>19</b>					
<b>20</b> Total expenses. Add lines 5 through 19 . . . . .	<b>20</b>					



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# Schedule E Income or Loss

- More Detail
- Line 3 - Form 1099-K
- Line 4 - Wait for it!
- Line 23!
  - Reconciliation of Amounts Reported

<b>22</b>	Deductible rental real estate loss after limitation, if any, on <b>Form 8582</b> (see instructions)	<b>22</b>	(	)	(	)	(	)
<b>23a</b>	Total of all amounts reported on line 3a for all rental properties	<b>23a</b>						
<b>b</b>	Total of all amounts reported on line 3a for all royalty properties	<b>23b</b>						
<b>c</b>	Total of all amounts reported on line 4 for all rental properties	<b>23c</b>						
<b>d</b>	Total of all amounts reported on line 4 for all royalty properties	<b>23d</b>						
<b>e</b>	Total of all amounts reported on line 12 for all properties	<b>23e</b>						
<b>f</b>	Total of all amounts reported on line 18 for all properties	<b>23f</b>						
<b>g</b>	Total of all amounts reported on line 20 for all properties	<b>23g</b>						
<b>24</b>	<b>Income.</b> Add positive amounts shown on line 21. <b>Do not</b> include any losses	<b>24</b>						
<b>25</b>	<b>Losses.</b> Add royalty losses from line 21 and rental real estate losses from line 22. Enter total losses here	<b>25</b>	(	)				
<b>26</b>	<b>Total rental real estate and royalty income or (loss).</b> Combine lines 24 and 25. Enter the result here. If Parts II, III, IV, and line 40 on page 2 do not apply to you, also enter this amount on Form 1040, line 17, or Form 1040NR, line 18. Otherwise, include this amount in the total on line 41 on page 2.	<b>26</b>						

For Paperwork Reduction Act Notice, see your tax return instructions.

Cat. No. 11344L

Schedule E (Form 1040) 2011



# Schedule E

## Page 2



- Part II
  - Income or Loss from Partnerships
  - Passive vs. Non-Passive
  - Loss Rules - Basis, Basis, Basis
  - Unreimbursed Expenses - UPE





# Schedule E

## Page 2

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- Part II.....part 2 😊
  - Income or Loss From S Corporations
  - Passive vs. Non-Passive
  - Loss Rules - Basis (again)
  - No Such Thing as “Unreimbursed Shareholder Expenses”





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# Schedule E

## Page 2

- Part III
  - Income or loss from estates and trusts
  - Again with the passive and non-passive!
- Part IV
  - Income or loss from REMICs
  - Schedule Q, Form 1066



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# Schedule E

## Page 2

- Part V – Last but not Least!
  - Farm rental income – Form 4835
  - Reconciliation of farming and fishing income – read the instructions!
  - Reconciliation for real estate professionals
    - IRC §469(c)(7) *Agarwal* TC Summary



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# Practice Management Tip

*Ask yourself, have you;*

- Been Reasonable
- Been Prudent
- Been Ethical
- Asked the Right Questions

# Document!





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# For More Information:

## National Society of Accountants (NSA)

More information is available including additional materials at:

Booth in Vendor Hall

Or Table in Lobby

800-966-6679

[www.nsacct.org](http://www.nsacct.org)

