

Decoding the Real Estate Market
It's The Law!
What Landlords Need To Know
Provided by TCAOR P.R. Committee Chair-Sandra Hayes

Do you own rental property or rent out a vacation home?

A provision of the Small Business Jobs Act signed into law by President Obama last September, requires all taxpayers owning rental properties to issue a Form 1099 to any unincorporated service providers (e.g. plumbers, painters, accountants) they pay \$600 or more to in a year, beginning with payments made in 2011. Those 1099 Misc. forms will, of course, have to be sent to the Internal Revenue Service as well. 1099 forms cannot be downloaded online and must be requested from the IRS. A sample of the form and instructions for having the forms sent to you can be found at this site: <http://www.irs.gov/pub/irs-pdf/f1099misc.pdf>

BUT WAIT – THERE'S MORE! The millions of landlords covered by this new requirement will also be subject to a [massive expansion of 1099 reporting that was tucked into the health reform bill that passed in March 2010](#). That provision, which kicks in for 2012, requires businesses, charities and even local governments to issue 1099s to all companies they buy more than \$600 of goods or services from—not just to unincorporated service providers. The Treasury is trying to reduce the burden of this provision. The IRS has already said it won't require 1099s for purchases made with a credit card, so you won't have to issue a 1099 to Home Depot, Wal-Mart, Office Depot or Staples. You must use a credit card, do not pay cash or by check for your purchases.

Although there is talk of reforming or eliminating the health reform bill, do not count on Congress to retreat on the new landlord 1099 requirement, which is billed as a tax-gap closer that will raise \$2.5 billion over the next decade. A [2008 report](#) by Congress' Government Accountability Office estimated that 43% of all taxpayers who directly owned rental property in 2001 "misreported" their expenses that year, understating their income by a total of \$9 billion. (The GAO estimate was based on special intensive research audits the IRS conducted on 46,000 individual 2001 returns.)

Landlords should chat with their tax preparers about these provisions and how to best keep records to satisfy these new requirements.

The next installment of **Decoding the Real Estate Market** will discuss **The Alphabet Soup Of CC&Rs, HOAs, PUDs, etc.**