



Hoffman Realty, LLC

3900 W. Dale Avenue, Tampa, Florida 33609

Frequently Asked Questions about Annual Operating Statements, 1099-MISC and Tax Accounting

What is the Annual Operating Statement?

The Annual Operating Statement is a summary of your income and expenses over the year. Usually we post this as a report to your Landlord Portal in early January. This is the primary report landlords use to prepare their tax returns.

How can I Obtain my Annual Operating Statement from my landlord Portal?

Please login to your landlord Portal and look under "Reports". Your Annual Operating Statement is called "HR-Income Statement Standard By Month". Click "View".

What is "Total Income" on the Annual Operating Statement? This is the amount reported as your gross rental income to the IRS. It is the same amount we report as gross rental income on your 1099-MISC.

What are the "Expenses" on the Annual Operating Statement?

The Expenses shows the costs associated with your portfolio for the year. These include **expenses** such our monthly management fee, property repairs, leasing fees, legal fees, utilities, etc. or **improvements** such as new carpet, appliances, roofs, etc. Please review your monthly Owner Statement for copies of bills and invoices associated with these cost. You can also obtain copies of invoices at any time from your Landlord's Portal.

How do I obtain copies of Invoices from my Landlord's Portal? You can obtain copies of all your invoices by going to "Bills". Locate the bill you want and select "View Detail". To obtain an invoice select "View Invoice" and download a PDF copy or print a copy.

Tax Treatment of Portfolio Operating Costs. When reviewing your Annual Operating Statement, it is particularly important to decide which of the operating cost shown under "Expenses" should be **expensed or depreciated** on your tax return. Don't assume all the operating costs

shown on your Annual Operating Statement can be expensed! Generally new appliances and carpeting must be depreciated over 5-years, fences over 15-years and roofs and additions over 27.5 years. Then, there are gray areas, for example, should a roof repair be expensed or should it be depreciated? What depreciable costs can be expensed under Sec-179? This is an area where you should consult a tax professional. Hoffman Realty is not a tax accountant and cannot give you tax advice.

Do your report my rental income to the IRS? Yes. Each year we report your gross rental income, as required by law, on an Informational Return to the IRS and send you a 1099-MISC showing the amount of income we reported to the IRS.

When will I receive a 1099-MISC?

We mail you a 1099-MISC at the end of January, for income received in the prior tax year. The 1099-MISC will be mailed to address provided to us on your most recent W-9.

What income is reported on the 1099-MISC? We report all gross rental income received. Usually this is rent, but it could include other rental related income from your tenant(s) such as utility income, maintenance income, lease break income, legal fee income or fine income. We also send you a breakdown of the reported income on your "Annual Operating Statement".

Do I need my 1099-MISC to get started on My Taxes? No. You don't need to wait for your 1099-MISC to get started on your taxes, as the amount reported on your 1099-MISC is the same as "Total Income" reported on the Annual Operating Statement.

What if I don't Receive my 1099-MISC? If you don't receive your 1099-MISC the most usual reason is the address we have on file for you is not current. Please contact us and



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we will be happy to send you an electronic copy.

Since the IRS requires us to mail your 1099-MISC to the address you provide us on your most recent W-9, we will also ask you to complete a new W-9 and send it to us so we have your updated address and a new SSN / TIN Certification.

Can my 1099-MISC be Updated and Reissued with my New Mailing Address?

It depends. If you notify us of your new mailing address on a W-9 **before** we submit the Informational Return with the IRS at the end of January, we will be happy update and reissue your 1099-MISC. However, we do not update and reissue your 1099-MISC due to an address change submitted to us **after** we have already filed the Informational Return with the IRS. The purpose of the Informational Return is to allow the IRS to link your gross rental income to your SSN or TIN, not to update them on your new mailing address.

Under what Circumstances are 1099-MISC Updated and Reissued? We will update and reissue you 1099-MISC only if:

- (1) The amount reported as gross rental income is incorrect
- (2) The SSN / TIN is incorrect

Please note that if you ask us to update and reissue your 1099-MISC for another reason

after we submit an Informational Return with the IRS at the end of January, and it is not due to a fault of Hoffman Realty we will need to charge you for this service. If our accountant will agree to reissue the 1099-MISC, they usually charge a fee of \$250 for reissuing 1099-MISCs and filing a new Informational Return with the IRS.

I am defined as a Foreign Person under IRS rules. What is different for me?

If you submit an annual US tax return to report income connected with your US business, you must complete a W8-ECI. If you do not submit an annual US tax return or do not or cannot complete a W8-ECI, we are required to "Backup Withhold". In either case, each year we report your rental income and any withholding amounts on an Informational Return to the IRS and send you a 1042-S, usually in early March for income received in the prior tax year.

Who can I contact if I have questions about Tax Accounting, 1099-MISC and my Annual Operating Statement? You should always consult an appropriately qualified tax professional for tax advice. Hoffman Realty cannot give tax advice.

If you have questions about your Annual Operating Statement or 1099-MISC, please contact Cynthia Parshook. You can email her at Cynthia@HoffmanRealty.com or call her at 813-875-7474 extension 111.