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Taxes Slow 2011 Rental Season Start Up

We are seeing a reduction in rental applications for a time of year that is usually very busy. Some of this can be attributed to the economy in general, but much can be attributed to changes in IRS rules and procedures. These changes effectively delay the start up of the spring rental season by a month. IRS changes include:

1. Loss of Advanced Earned Income Credit –

- a. Earned Income credit is a refundable credit claimed on the 1040 dependent on income, citizenship, working status and dependents.
- b. This refundable credit can be as much as \$5,666 refunded back to the taxpayer along with any Federal Tax paid during the year.
- c. Advanced Earned Income Credit was a selection on the W4 that allowed for this credit to be refunded at every paycheck, instead of at tax time. This option was eliminated by the IRS as of Dec. 31, 2010.
- d. You might have seen the recent commercials about claiming the Earned Income Credit. This is due to the fact that many are NOT claiming this credit because of difficulty understanding the rules and regulations for claiming it.

2. Late Tax Law Changes-

- a. Due to late tax law changes in December, the IRS was unable to accept certain tax returns until Feb. 15, 2011.
- b. This included Returns with Student loan interest, and Earned Income Credit.
- c. This caused a back log with the IRS, and now many paper and electronic returns, that would have been accepted earlier, were delayed by several weeks.

3. Refund Anticipation Loans-

- a. Refund Anticipation Loans (RALs), commonly provided by H&R Block, were stopped this year due to changes in bank regulations regarding High Interest loans.
- b. RALs provided tax refunds within 1-3 days of filing by either direct deposit or with a check.
- c. Rapid Refund loans are still available, but the turn around is up to 15 days.

4. Unemployment-

- a. Due to current Unemployment trends, many people have spent an entire year on Unemployment.





- b. Unless indicated (and this is rare) no Federal tax is withheld from Unemployment.
- c. Without no "Earned Income" and no Federal tax withheld tax, refunds will be much smaller this year.

In conclusion, while these are all factors to consider in reviewing the current rental trends for this time period, also remember that renting is up, tax refunds will be only delayed about 30 days from years past and that unemployment is going down.

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