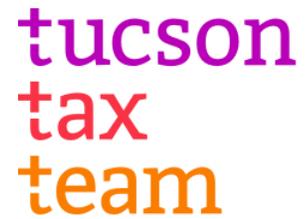


# Schedule E Engagement Letter 2019



Taxes solved.

*Thank you for using Tucson Tax Team for your tax preparation needs. Clear communication is key to a successful business relationship. The purpose of this letter is to ensure we share an understanding of the services we provide.*

**Our Responsibilities:** Tucson Tax Team will prepare your rental income tax return. We do not prepare and are not responsible for preparation of other business taxes such as state use tax, payroll tax, etc.

**Your Responsibilities:** We recommend that you keep records for all deductions for a minimum of 7 years. Receipts for depreciable assets or improvements should be kept for 10 years after the asset has been disposed of or fully depreciated. Expenses must be reasonable and necessary; excessive or inappropriate expenses may be disallowed.

**Income:** The IRS requires you to report all income received in renting your property. This includes advance rent, payment for cancellation of lease and cash rents in addition to "non-income" sources such as bartering and cancelled debt. Note that unreported income is subject to significant penalties. Security deposits are not included in income if they will be returned to the tenant, but any security deposit not returned is included in income that year.

**Expenses:** All deductible expenses should be ordinary and necessary. Mortgage interest paid on debt used to purchase or improve the property may be deducted; interest paid on debt used for other purposes may not be deducted. You may take a mileage deduction to and from your rental property for the purposes of collecting rent, making repairs, or inspecting the property if you keep a log of your mileage (stating the date, destination, purpose and miles driven).

**Depreciation:** The purchase price of the rental is not deductible in the year of purchase; instead, it is depreciated over a period of time, usually 27.5 years for residential rentals. The depreciation that you deduct each year reduces your cost basis; this means that when you sell the property, your taxable income increases.

**Title:** How you hold title to your property may impact taxation upon the death of an owner.

**Sale of Property:** When you sell your rental property, you may have a gain or a loss on your personal tax return. Please contact us before you sell your rental property so that we can estimate the tax impact of the sale. If you convert your residence to a rental, it is considered a principal residence until you have not lived in it 3 of the last 5 years. After those three years, it is no longer eligible for the full principal residence exclusion; complex tax rules determine gain or loss on the sale of such property.

**QBID:** The Qualified Business Income Deduction is available for rental enterprises that qualify as businesses rather than as investments. Please answer the following questions to help us understand whether or not your rentals qualify for this deduction:

Yes

No

Has one of your rentals ever been your principal residence?

Do you have a separate bank account for your rental activities?

Do you keep a log of hours spent managing your rental activities?

Do you own any commercial property under a triple net lease?

Did you pay any independent contractors \$600 or more for work on your rentals?

If yes, did you send a 1099-MISC to those workers?

How many hours in the past year did you or your agents (including manager, repair people, etc.) spend managing your rental activities?

Please understand that the IRS has not set firm guidelines as to what rental activities will qualify; if you take this deduction and it is later disallowed, Tucson Tax Team is not responsible for any taxes, penalties, or interest levied as a result of this disallowance.

**Signing below acknowledges receipt of this information:**

Signature

Date