

## **SCHEDULE E FOR DUMMIES**

Don't know a debit from a credit but you have income properties that the IRS is "interested" in  $\odot$ ? You've found a friend here at Realty Dynamics! Bad enough that your Uncle Sam wants a cut of the action when he doesn't have to deal with the tenants or snow shoveling, but ... even worse, add hours of accounting too!

We developed this Excel workbook for our own use to make it easy to keep records for our own income properties. You're probably asking yourself, "Why would they call it 'Schedule E for Dummies' and then admit they wrote it for themselves?" Good point! All

we'll say to that is that the answer is in the question ⊚!

We're not accountants, don't want to be – but when some of our clients saw our spreadsheet almost everyone wanted to know if we would sell them a copy. Cool! We had unknowingly created a new opportunity to make money selling accounting software for income properties  $\odot$ !

But then we saw a few problems with this money making idea. First of all, if we sold it to others, people would assume that we'd make sure that it really was 99.9% perfect. Secondly, they would assume that we would constantly be watching for "bugs" and issuing "bug fixes" like Microsoft always does!

Science Edit | September | Sep

Thirdly, if we sold it, people would obviously assume that we would guarantee its accuracy and support it by providing some kind of version upgrades every time the IRS changes the rules. It all started to feel like we'd be in the software business 8!

What to do? The solution was easy! Since we never wrote it to make money selling it, we decided to just give it away for FREE! So here's the deal:

- 1. Its your for the taking.
- 2. It is an open source Microsoft Excel spreadsheet that you can modify (or screw up) to your heart's content.
- 3. We have put protection on each page so you'll be less likely to make mistakes, but we have not put any password protection on it, so you can turn off the protection to modify it as you'd like.
- 4. We are not responsible for its accuracy and don't plan on issuing any bug fixes or version updates! We did try our best though to make sure it works the IRS hasn't called us yet and we've used it for 6 years!
- 5. If you pass copies on to your friends you'd better give us credit or we'll track you down and ... 

  We hope you'll be glad you found us! We hope?!

If you do like it, we'd love to hear from you, if you do find bugs, we'd like to know and if you have suggestions we'd be glad to hear those too. In any case we hope it will help you to keep your records current and make tax time a bit less painful.

## **INSTRUCTIONS**

Our workbook consists of eleven worksheets in one workbook. The workbook allows for accounting of three buildings, just like Schedule E of IRS form 1040.

The first three worksheets are for entering income (cash received for any and all reasons) for each building. If you received cash, it goes here – simple! These worksheets allow for up to 8 tenants per building in a calendar year.

The 4<sup>th</sup> worksheet is where you enter your payments for utilities: water, sewer, electric and heat. If any tenants are responsible for paying you for any portion of utilities, their payments to you for their part of utility expenses (entered on the first three worksheets) will be deducted on this worksheet. Your "net" utilities cost is calculated here and then carried forward to the Schedule E worksheet.

The next three worksheets are for entering the expenses you incur for each building. These worksheets have columns for the expense lines currently on Schedule E.

The 8<sup>th</sup> worksheet provides a place to enter cash disbursements that you have decided should be classified as capital improvements. You may need to ask your accountant / tax professional about which cash disbursements should be expensed on worksheets 5 through 7 and which should be capitalized on this worksheet.

The 9<sup>th</sup> worksheet contains totals carried forward from all of worksheets 1 through 8. These totals are displayed in a format that looks similar to the actual IRS Schedule E form. This format is for convenience only and a printed copy of this worksheet is not acceptable as a substitute for the actual IRS Schedule E form. You need to transfer the figures show here to a current IRS Schedule E form. Like with the actual Schedule E, it allows you to make other entries to complete the totals.

The 10<sup>th</sup> worksheet is labeled "Analysis" and offers an optional review of the overall pretax return of each property. The overall pretax return of a property include three items: 1) The net change in cash for the year, 2) the amount of principle on your mortgage (if any) that was paid down in the year and finally, 3) the appreciation (or depreciation) that you estimate has happened on each property in the year. The total of these three represents your estimated gross gain/loss for each property before taxes.

Remember, there is a very, very important fourth item that is part of a total analysis of the value of investing in income properties. That is the income tax consequence. But only your accountant / tax professional can help you with that.

The final worksheet is a cover page that you can print for the final printed copy for your records.

Footnote about the general conventions used in this workbook:

- 1. Cells that permit entries to be made have blue backgrounds
- Green cell contain totals or results of other information that has been entered
- 3. All white cell are part of the forms background

#### STEP BY STEP INSTRUCTIONS

The following ten steps are illustrated on the pages that follow these written instructions. Refer to these numbered items in circled pointers to reference the locations for each task in the workbook.

- 1. Enter the year for this record keeping booklet in this field located at the top right of the "Income Bldg 1" worksheet. The year entered is carried forward to all other worksheets and the cover page.
- 2. For each building (up to three) enter the building address, city, state and zip code in the blue fields at the upper left of the 3 income worksheets. Building addresses are carried forward to all other worksheets and the cover page.
- 3. For each tenant in each building, enter the tenant's information. The two lines at the bottom of the tenant section allows for the entry of any notes.
- 4. On the lower half of each tenant page (there are 8 per building), enter the date description and the amounts of any and all payments you received from each tenant.
- 5. Throughout the year enter the amounts of any utility payments that you make for each property. If you collect utilities payments from any tenant (that you enter on the three Income worksheets) those amounts are subtracted here to provide you with your net utilities expenses per building that are then carried forward to the Schedule E worksheet.
- 6. Throughout the year enter expense information on the "Expenses" worksheets 5 through 7. Expense column are organized to meet those expense totals that need to be filled in on Schedule E.
- 7. Enter cash disbursements that need to be capitalized and depreciated, rather than expensed. If you are uncertain as to when an item should be expense or when it should be capitalized, you should look to IRS instructions or consult with your tax professional. This worksheet assumes that all capitalized items will be depreciated over a 29.5 year life. If you determine that a different depreciation schedule is appropriate, formulas in this spreadsheet may need to be adjusted.
- 8. For your own reference you may wish to enter your name and Social Security number or the business entity name and EIN number for this tax filing.
- 9. The Schedule E worksheet (that looks similar to the actual IRS form) allows you to make entries for other items not already accounted for. All blue fields allow for additional input. Once these final figures (if any) have been entered, this worksheet will show all the needed figures that you will need to transfer to an official IRS Schedule E for inclusion with your tax return.
- 10. For our own use, we developed the Analysis worksheet to give us and overall, estimated picture of the pretax gain or loss of each building. To get your

estimate, enter information in blue fields. The results will show the estimated gain or loss per building and the total for all three.

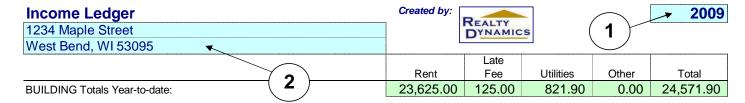
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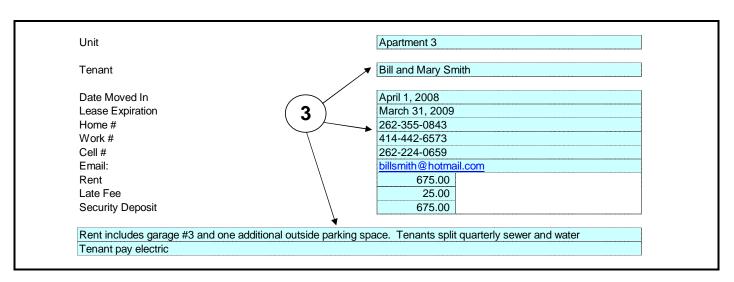
We already admitted that we're not accountants and we won't try to be attorneys either, but here's the deal:

- 1. The first time you use this workbook PULL-EEZE check all the totals to make sure that your happy tax return / annual IRS love letter is correct ©! If you made any mistake in Uncle Sam's eyes, we'll let you take the credit!
- 2. If you get a larger tax return than you expected because you used this cool workbook, we're not pigs, just send us maybe half! Deal?
- 3. If you forward copies of this to your friends please give us credit by leaving our logos and website link in the forms.
- 4. Finally, something you won't find in any attorney's fine print: Thanks for you interest in Realty Dynamics and we hope our good will, will encourage yours ©!



THE MOST DYNAMIC REAL ESTATE COMPANY ON THE PLANET!





Tenant Totals Year-to-date: 4,725.00 25.00 164.38 0.00 4,914.38

			Late			Payment
Date	Description	Rent	Fee	Utilities	Other	Total
04/28/08	May rent	675.00				675.00
	June rent	675.00				675.00
06/30/08		675.00				675.00
08/02/08	August rent and 1/4th of 2nd qtr sewer and water	675.00		78.26		753.26
09/03/08	September rent	675.00				675.00
	October rent	675.00	25.00			700.00
11/04/08	November rent and 1/4 of 3rd Qtr sewer and water	675.00		86.12		761.12
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Created by:

# **Expense Ledger**

1234 Maple Street West Bend, WI 53095

REALTY DYNAMICS

Totals From Below: 846.00 2,419.50 0.00 0.00 0.00 Check Mgmt Mortgage Interest Date Number То Description Insurance Taxes Fees Auto 4072 Acme Insurance 02/03/08 Annual Premium 846.00 4120 County Treasurer 05/20/08 2,419.50 2nd payment of taxes 6 83.25 0.00 200.00 Totals From Below: 29.84 42.35 Check Cleaning Number То Description Advertising Maint Legal Repairs Supplies Date 04/10/08 Newspaper Apt #3 advertising 27.40 04/17/08 Apt #3 advertising 27.40 Newspaper 06/03/08 Ace Hardware Lock for unit #2 29.84 07/01/08 MC Pick and Save Cleaning supplies 42.35 200.00 07/17/08 **CPA Associates** Accounting 09/23/08 Newspaper Apt #1 advertising 28.45

# **Depreciation & Capital Expenditure Ledger**

Created by:

REALTY
DYNAMICS

2008

1234 Maple Street West Bend, WI 53095

> Original Purchase Price: Annual Depreciation at 29.5 Years Captial Expenditures From Below Depreciation for Capital Expenditures Below at 29.5 Years

340,000.00 11,525.42 9,750.00 330.51

Total Depreciation for This Year

11,855.93

Date	Check Number	То	Description	Amount	Total Amount
07/23/08		To Acme Roofing and Gutters	New roof with tear-off	9,750.00	9,750.0
01723700		Nome Rooming and Gutters	THEW TOOL WILLT LEAF OIL	3,730.00	3,730.0
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**SCHEDULE E** (Form 1040)

# Supplemental Income and Loss (Worksheet) Note: This document is not an IRS approved Schedule E form.

2008

Users must refer to the latest Schedule E Form and Instructions.

Similarity to actual IRS Schedule E is for convenience only in transferring information to an approved IRS form.

1   Show the kind and location of each rental real estate property:   A   1234 Maple Street   West Bend, WI 53095   Bldg 2 address   Bldg 2 address   Bldg 2 city, state, zip	Your name h		nation to an appro-	-	Your	SS#	# here
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West Bend, WI 53095		<u> </u>	state property			\	
B   Bldg 2 address   Bldg 2 city, state, zip   Bldg 3 city, state, zip   Bldg 4 city   B	· · · · · · · · · · · · · · · · · · ·						
Bidg 2 city, state, zip   Properties   Register   Reg						7 ,	•
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20 Depreciation expense or depletion 21 Total expenses. Add lines 19 and 20 22 Income or (loss) from rental real estate or royalty property. Subtract line 21 from line 3 (rents) or line 4 (royalties). If the result is a loss see Schedule E instructions. To find out if you must file Form 6198.  23 Deductable rental real estate loss. Caution: your rental real estate loss on line 22 may be limited. See Schedule E instructions before completing.  24 Income. Add positive amounts shown on line 22. Do not include any losses.  25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23.  26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the results here.	18 Other (list)	18					
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on line 22 may be limited. See Schedule E instructions before completing.  24 Income. Add positive amounts shown on line 22. Do not include any losses.  25 Losses. Add royalty losses from line 22 and rental real estate losses from line 23.  26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the results here.  27 11,544.40  28 21 11,544.40  29 20 21 22 22 23 24 25 25 25 25 25 25 25 25 25 25 25 25 25	-		,				
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<ul><li>26 Total rental real estate and royalty income or (loss). Combine lines 24 and 25. Enter the results here.</li><li>26 11,544.40</li></ul>	•			•		_	11,544.40
the results here. <b>26</b> 11,544.40						25	0.00
		r (los	s). Combine li	nes 24 and 25.	Enter		
Schedule E (Form 1040)	the results here.						

1234 Maple Street West Bend, WI 53095

Cash	
Total Cash Received	30,456
Cash Disbursed For Operating Expenses	21,054
Cash Disbursed for Captial Expenditures	9,750
Net Change in Cash	9,402
Appreciation	
Estimated Value at Beginning of the Year	327,500
Estimated Appreciation Percent for the Year	2.0%
Estimated Added Value Due To This Year's Capital Expenditures	3,000
Estimated Value at the End of the Year	337,050
Estimated Appreciation for the Year	9,550
$\langle A \cap Y \rangle$	
( <b>10</b> )	
Debt Reduction  Martinga Palance at the Paginning of the Veer	241 690
Mortgage Balance at the Beginning of the Year  Mortgage Balance at the End of the Year	241,680 229,832
Total Reduction on Principle Balance	11,848
rotal reduction on i morpie Balance	11,040
Total Realized and Unrealized Pretax Gain	30,800
Bldg 2 address	
Bldg 2 city, state, zip	
Cash Tatal Cash Bassinad	
Total Cash Received	0
Cash Disbursed for Operating Expenses	0
Cash Disbursed for Captial Expenditures  Net Change in Cash	0
Net Change in Cash	0
Appreciation	
Estimated Value at Beginning of the Year	
Estimated Appreciation Percent for the Year	
Estimated Added Value Due To This Year's Capital Expenditures	
Estimated Value at the End of the Year	0
Estimated Appreciation for the Year	0
Debt Reduction	
Mortgage Balance at the Beginning of the Year	
Mortgage Balance at the End of the Year	
Total Reduction on Principle Balance	0
Total Realized and Unrealized Pretax Gain	0

Cover Page A Cover Page For Your Accounting Notebook	Cover				
Analysis of Your Estimated Total Return on Each Property	Analysis for the Year Bldg 1	Analysis for the Year Bldg 2	Analysis for the Year Bldg 3	Analysis for the Year All Bldgs Combined	
Schedule E Source Document for Preparation of Your Schedule E					
Depr & Capex Expensive improvements Tracked by building	Depr & Capex Bldg 1	Depr & Capex Bidg 2	Depr & Capex Bldg 3		tion you have entered. g activities are secure. tion, close your work
Expenses Bidg 3 All expense Tracked by building	Expense Ledger Insurance Property Taxes Mortgage Repairs Supplies Advertising Cleaning & Maint. Legal	Expense Ledger -more - Repairs Supplies Advertising Cleaning & Maint. Legal	-more - Repairs Supplies Advertising Cleaning & Maint. Legal		All <b>WHITE</b> background areas and green shaded boxes can not be changed.  After entering new information, select "Save" on the "File" pull down menu to save the information you have entered. We recommend that you save your work every 10 minutes or so, to insure that your accounting activities are secure. When you are finished entering information for a session and you have saved the new information, close your work session by clicking on the "X" button in the upper right corner to close your work session.
Expenses Bldg 2 All expense Tracked by building	Expense Ledger Insurance Property Taxes Mortgage Repairs Supplies Advertising Cleaning & Maint. Legal	Expense Ledger -more - Repairs Supplies Advertising Cleaning & Maint. Legal	-more - Repairs Supplies Advertising Cleaning & Maint. Legal	Enter information in the <b>BLUE</b> shaded cells only.  GREEN shaded cells are automatically calculated for you.	All <b>WHITE</b> background areas and green shaded boxes can not be changed.  After entering new information, select "Save" on the "File" pull down menu to save the informer recommend that you save your work every 10 minutes or so, to insure that your acco. When you are finished entering information for a session and you have saved the new information by clicking on the "X" button in the upper right corner to close your work session.
Expenses Bldg 1 All expense Tracked by building	Expense Ledger Insurance Property Taxes Mortgage Repairs Supplies Advertising Cleaning & Maint. Legal	Expense Ledger -more - Repairs Supplies Advertising Cleaning & Maint. Legal	-more - Repairs Supplies Advertising Cleaning & Maint. Legal	Enter information in the BLUE shaded cells only.	All WHITE background areas and green shaded boxes After entering new information, select "Save" on the "Fi We recommend that you save your work every 10 minu When you are finished entering information for a sessic session by clicking on the "X" button in the upper right to
Utilities Total utilities you pay Tenant pay to you is deducted here Tracked by building	Bldg 1 Bldg 2 Bldg 3  Utilities Utilities Vou You Paid Paid				
Income Bldg 3 Rents, late fees & Utilities they pay you Tracked by tenant	Income Ledger Tenant 1	Income Ledger Tenant 2	Income Ledger Tenant 3	Income Ledger Tenant 8	
Income Bldg 2 Rents, late fees & Utilities they pay you Tracked by tenant	Income Ledger Tenant 1	Income Ledger Tenant 2	Income Ledger Tenant 3	Income Ledger Tenant 8	
Income Bidg 1 Rents, late fees & Utilities they pay you Tracked by tenant	Income Ledger Tenant 1	Income Ledger Tenant 2	Income Ledger Tenant 3	Income Ledger Tenant 8	

# **SCHEDULE E** (Form 1040)

the results here.

Supplemental Income and Loss
Note: This document is not an IRS approved Schedule E form. Users must refer to the latest Schedule E Form and Instructions.

Similarity to actual IRS Schedule E is for convenience only

	ın transferrinç	J IIIIOIII	nation to an appro-	red IKS IOIIII.			
	Your name h	ere			Your	SS‡	# here
1	Show the kind and location of each rental re	eal es	state property:				
Α	Bldg 1 address						
	Bldg 1, city, state, zip						
В	Bldg 2 address						
	Bldg 2 city, state, zip						
С	Bldg 3 address						
	Bldg city, state, zip						
				Properties			Totals
Inco	ome:		Α	В	С		
3	Rents received	3	0.00	0.00	0.00	3	0.00
4	Royalties received	4				4	0.00
	enses:						
5	Advertising	5	0.00	0.00	0.00		
6	Auto and travel	6	0.00	0.00	0.00		
7	Cleaning and maintenance	7	0.00	0.00	0.00		
8	Commissions	8	2.22	2.22	0.00		
9	Insurance	9	0.00	0.00	0.00		
	Legal and other professional fees	10	0.00	0.00	0.00		
	Management fees	11	0.00	0.00	0.00	4.0	0.00
	Mortgage Interest paid to banks, etc.	12	0.00	0.00	0.00	12	0.00
13		13	0.00	2.22	0.00		
	Repairs	14	0.00	0.00	0.00		
	Supplies	15	0.00	0.00	0.00		
	Taxes	16	0.00	0.00	0.00		
	Utilities	17	0.00	0.00	0.00		
18	Other (list)	18					
19	Add lines 5 through 18	19	0.00	0.00	0.00	19	0.00
20	Depreciation expense or depletion	20	0.00	0.00	0.00	20	0.00
21	Total expenses. Add lines 19 and 20	21	0.00	0.00	0.00		
22	Income or (loss) from rental real						
	estate or royalty property. Subtract						
	line 21 from line 3 (rents) or line 4						
	(royalties). If the result is a loss see						
	Schedule E instructions to find out						
	if you must file Form 6198.	22	0.00	0.00	0.00		
23	Deductable rental real estate loss.						
	Caution. Your rental real estate loss						
	on line 22 may be limited. See						
	Schedule E instructions.	23					
24	Income. Add positive amounts shown on li	ne 22	. Do not includ	de any losses.		24	0.00
25	Losses. Add royalty losses from line 22 an	d rent	tal real estate lo	osses from line	23.	25	0.00
26	Total rental real estate and royalty income of	r (los	s). Combine lir	nes 24 and 25.	Enter		

26

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