



Lancaster CPA & Associates

Real Estate Tax Experts

Tiffany Medellin, CFE

CONSULT:
OFFICE@PATRICIALANCASTER.COM
(256) 325-3654

Tiffany: \$150 per hour

(S-Corp, Partnership, LLC, Real Estate Investing)

Pat: \$200 per hour

(Like Kind or 1031 Exchange, Self-Directed IRA, Retirement Planning)



Referrals

MorrisBlankAccounting.com

256-489-7900

www.PatriciaLancaster.com/Realtors

Realtors + Taxes



Lancaster CPA
HUNTSVILLE AREA ASSOCIATION of REALTORS®

At minimum, 32% of your profits will go towards taxes. Learn how to reduce your tax bill and audit-proof your business.

W2 versus 1099: What it means to be an SBO
The IRS considers you an Small Business Owners, SBO. This means new tax strategies and responsibilities.

Deducting and Tracking Business Expenses
Deducting travel, meals, entertainment, and 40+ other deductions. Ensure no business deduction is missed with our FREE Realtor's Expense Tracker.

Filing Estimated Taxes
Learn how to file quarterly estimated tax payments required once you're profitable.


Mileage & Home Office Deduction
Maximize your car, mileage, and home office deduction.

Recordkeeping & The IRS
Audit-proof your small business.

Choosing the Best Business Entity
Choose Wisely: Sole Proprietor, Partnership, LLC, S-Corp, etc.

Click Flyer for
Power Point Slides





PATRICIA LANCASTER CPA

Home Services Resources Clients **Realtors** Investors Contact Us

Real Estate Tax Academy

Home > Realtors

- > Realtors
- > Business Entity 101
- > Tax Strategies: The Basics
- > Tax Deductions 101
- > Tax Deductions 102
- > Recordkeeping & The IRS
- > Incorporating and Hiring Help
- > Healthcare and Retirement Planning

Realtor's Expense Tracker & Deduction Checklist

FREE

Click Here to Subscribe

Employment Taxes (SS, Medicare, FUTA)	\$ -
Business License and Permits (RE License)	\$ -
Real Estate and Property Tax	\$ -
Telephone	\$ -
Client Gifts (\$25 limitation)	\$ -
Club/Organizational Dues (\$ -
Courier Costs	\$ -
Education	\$ -

IRS INDIVIDUAL TAX ACCOUNT

How To: Set Up IRS Individual Tax Account

(Estimated Time: 15-20 minutes)

WHY SET UP ACCOUNT?

With an IRS Individual Tax Account, you can easily gain access to the following tax information associated with *your* SSN:

- IRS tax return transcripts (Ex: Form 1040)
- Tax Forms (Ex: W2, K-1, 1099, 1098, 1099-Div, etc)
- IRS Tax Notices
- Estimated Tax payment history and links to pay estimated tax online.
- Thoughtfully monitor your installment agreement with IRS (if applicable)
- ❖ Each spouse should have his or her own account.

WHAT YOU WILL NEED

- Smartphone or computer with camera
- Driver's license or passport
- Social Security Number (SSN)
- Email (personal, never work email) and mobile phone
- Current mailing address



How?



Sign in with an existing account

Sign in with **ID.me**

OR

Create a new account


ID.me Create an account

www.PatriciaLancaster.com/Resources

PATRICIA LANCASTER CPA Home Services **Resources** Clients Realtors Investors Contact Us Portal


Checklists

Click to Download one of our checklists. Please share any checklist you find useful. Thanks!




Checklist
For Income Tax Return
Filing Deadline: April 15
www.PatriciaLancaster.com

Super useful checklist to ensure you bring all the relevant information to your tax prep appointment!




Checklist
For Income Tax Return
Small Business Owners
Filing Deadline: April 15
www.PatriciaLancaster.com

Let's ensure that you have all the information need to complete your return and never miss a single deduction



NEW TAX BILL
Tax Cuts and Jobs Act of 2017
How it affects Individuals, Real Estate Investors, and Small Business Owners
+ QBI Deduction
www.PatriciaLancaster.com
Tax Bill passed on Dec. 22, 2017.




Checklist
Deductions for Real Estate Agents



Schedule C Summary
(for your CPA)
Real Estate Agents

CONTRACT LABOR, line 11	Contract Labor	Contract Labor
OFFICE EQUIPMENT, line 13	Office Equipment	Office Equipment
EMPLOYER BENEFITS, line 14	Employer Benefits	Employer Benefits
INSURANCE, line 15	Insurance	Insurance
INTEREST, line 16	Interest	Interest
Other interest see car note	Other interest see car note	Other interest see car note
Mortgage	Mortgage	Mortgage
LEGAL & PROFESSIONAL, line 17	Legal & Professional	Legal & Professional
OFFICE EXPENSE, line 18	Office Expense	Office Expense
Business Cards	Business Cards	Business Cards
Cell Phone	Cell Phone	Cell Phone
Broker Fees	Broker Fees	Broker Fees
Interest	Interest	Interest
Postage and Shipping	Postage and Shipping	Postage and Shipping
Printing Costs	Printing Costs	Printing Costs
Other Expenses	Other Expenses	Other Expenses

Complete this Schedule C Summary for



Tax Deduction Checklist for RENTAL PROPERTY



AGENDA

1. IRS Perspective
2. What's My Tax Rate
3. Deductions & Tracking Expenses
4. Realtor's Expense Tracker (Excel)
5. Form 1099
6. Estimated Tax Payments
7. Mileage & Home Office
8. Business Entity: Sole Proprietor vs LLC or S-Corp

IRS PERSPECTIVE

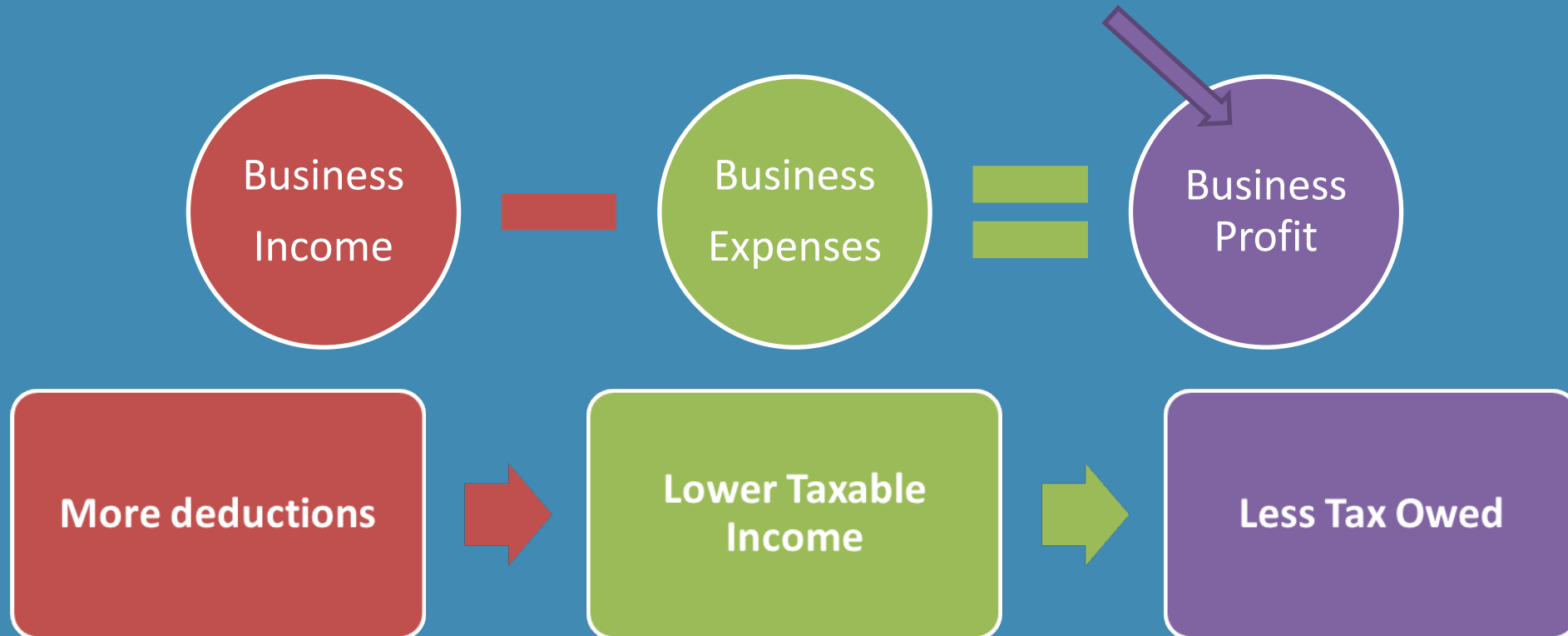
- You are a small business owner.
- You are responsible for:
 - ☐ Record keeping.
 - ☐ Complete, accurate, and timely filed tax return.
 - ☐ Computing and Paying your taxes (quarterly).

LANCASTER CPA PERSPECTIVE

- You have access to strategies that regular employees do not have.
- Gone are the days when you could self-prepare your tax return.
- Tax planning takes place throughout the year – RELATIONSHIP!

PAY TAXES ONLY ON YOUR PROFITS!

You do not **pay tax** on your total commission check.
You only pay tax **on your profit!**



WHAT'S MY TAX RATE?

You do not **pay tax** on your total commission check. You only pay tax on your profit!





2026 Federal Tax Brackets



TAX BRACKET/RATE	SINGLE	MARRIED FILING JOINTLY	HEAD OF HOUSEHOLD
10%	\$0 - \$12,400	\$0 - \$24,800	\$0 - \$17,700
12%	\$12,401 - \$50,400	\$24,801 - \$100,800	\$17,701 - \$67,450
22%	\$50,401 - \$105,700	\$100,801 - \$211,400	\$67,451 - \$105,700
24%	\$105,701 - \$201,775	\$211,401 - \$403,550	\$105,701 - \$201,775
32%	\$201,776 - \$256,225	\$403,551 - \$512,450	\$201,776 - \$256,200
35%	\$256,226 - \$640,600	\$512,451 - \$768,700	\$256,201 - \$640,600
37%	\$640,600+	\$768,701+	\$640,601+

SINGLE
(REALTOR = SIDE HUSTLE)

MFJ
(W/ ONE KID)

Realtor Commission (1099-NEC)
- Expenses
= Realtor Profit (Sch C)

\$ 33,796
- \$ 19,728 58%
=\$ 14,068

\$ 187,297
- \$ 30,332 16%
=\$ 156,965

Wages

\$ 30,000

\$ 98,000 (spouse)

AGI (Adj Gross Income) SEP Contrib.

\$ 43,074

- \$ 211,428 (\$30K SEP)

- Standard Deduction

- \$ 14,600

- \$ 29,200

- QBI Deduction

- \$ 2,615

- \$ 23,342

= Taxable Income

= \$ 25,859

= \$ 158,886

Fed Tax (effective)

\$ 3,823 14%

\$ 23,027 15%

SS & Medicare Tax

\$ 1,988 15%

\$ 22,179 15%

State Tax

\$ 1,708 5%

\$ 8,116 5%

\$7.5K Tax

\$53K Tax

DEDUCTIONS & EXPENSE TRACKING

- ILLEGAL: Tax Evasion
- LEGAL & Ethical: **Tax Avoidance**
- Open a **separate checking** account for your business.
- Every expense you fail to track is worth a minimum of 32% back in your pocket.

\$100 worth of receipts = \$32 in tax savings

RECORDKEEPING

- If audited, you will have to **produce receipts**, not just bank records.
- **Keep tax records for 3-6 years** since the IRS can look back up to 3 years (in most circumstances).

OTHER COMMON DEDUCTIONS

- Advertising
- Business Coaching
- Business Travel *(be careful)*
- **Car** *(Mileage deduction)*
- Car Loan Interest *(portion)*
- Cell Phone *(portion)*
- Client Gifts *(\$25/yr per client)*
- Continuing Ed
- E&O Insurance
- Home Internet *(portion)*
- **Home Office**
- Legal and Accounting/Tax
- Listing, Staging, Selling
- **Meals**
- Office/Broker Fees
- Professional Dues *(MLS, SUPRA)*
- Software, Business Apps
- Supplies

MEALS

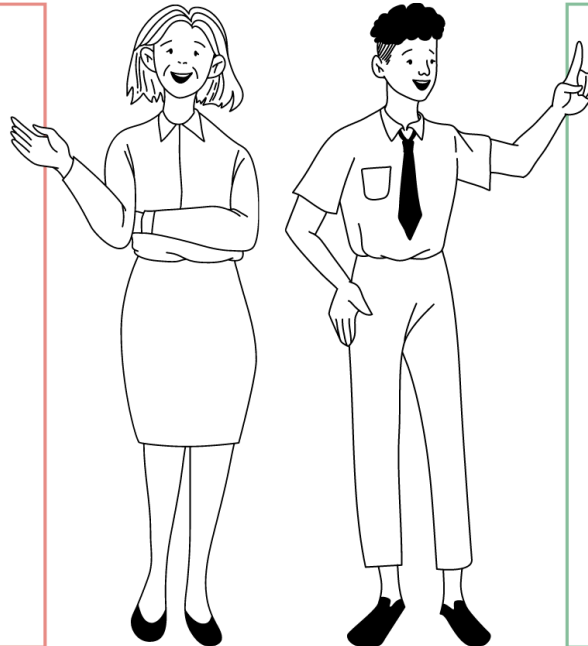
- Meals are **ONLY** deductible when you are taking a potential client or business associate for a meal. In other words, you paid and the receipt will show 2+ meal items.
- Colleagues dining “*dutch*” is not and never has been deductible – even if you discuss business the entire meal.

Car Deduction:

MILEAGE *OR* **ACTUAL**

Pick the best one for you

Business use miles
x
Standard
Mileage Rate



All vehicle costs
minus
percentage of
personal use

ACTUAL MILEAGE: How it works:

- Keep a mileage log to track BUSINESS versus PERSONAL mileage
- Keep receipts for all the following:
 - ☐ Gas
 - ☐ Insurance, lease payment
 - ☐ Repairs & Maintenance (oil change, tire rotation)
- Deduction: Total Receipt total x Business use percentage:
 - ☐ Ex: Total receipts \$7,200 x 65% Business use = \$4,680 deduction
- **WARNING:** Requires more record-keeping
 - than the standard mileage method.
 - More likely to be audited.
 - Once you elect this “Actual” method, you are married to this method for as long as you own the vehicle.

STANDARD MILEAGE RATE: How it works:

- You deduct \$0.725 (2026) for every business mile you drive.
- It **requires less record-keeping**; you only keep track of how many miles you drive; you do not track actual expenses – gas, maintenance, repairs, etc...
- The only additional expenses you can deduct are:
 - ✓ Interest on a car loan
 - ✓ Personal property tax; auto registration fee – car tag.
- ✓ Less Likely to be audited if you choose the “Standard” Method

**\$0.725 / BUSINESS MILE
(BEGINNING 2026)**



1,000 miles per month (12K/yr.) =
\$8,700

1,500 miles per month (18K/yr.) =
\$13,050

Part IV

Information on Your Vehicle. Complete this part **only** if you are claiming car or truck expenses on line 9 and are not required to file Form 4562 for this business. See the instructions for line 13 to find out if you must file Form 4562.

43 When did you place your vehicle in service for business purposes? (month, day, year) ▶ / /

44 Of the total number of miles you drove your vehicle during 2014, enter the number of miles you used your vehicle for:

a Business b Commuting (see instructions) c Other

45 Was your vehicle available for personal use during off-duty hours? ☐ Yes ☐ No

46 Do you (or your spouse) have another vehicle available for personal use? ☐ Yes ☐ No

47a Do you have evidence to support your deduction?  ☐ Yes ☐ No

b If "Yes," is the evidence written? ☐ Yes ☐ No

SCHEDULE C EXCERPT

Table 5-2. Daily Business Mileage and Expense Log

Name:

Date	Destination (City, Town, or Area)	Business Purpose	Odometer Readings		Miles this trip	Expenses	
			Start	Stop		Type (Gas, oil, tolls, etc.)	Amount
	Weekly Total						
Total Year-to-Date							

Source: IRS Publication 463, Cat. No. 11081L, Travel, Entertainment, Gift, and Car Expenses

IRS Example of a Mileage Log


WARNING:

Regardless of the mileage method you choose (Standard v. Actual), the IRS still requires you to keep a mileage log!

ESTIMATED TAX & PENALTIES

1. Not Paying
2. Underpaying

**QUARTERLY
ESTIMATE TAX
CALCULATOR**



1040-ES
Department of the Treasury
Internal Revenue Service

Estimated Tax

only if you are making a payment of estimated tax by check or money order. Mail this voucher with your check or money order payable to "United States Treasury." Write your address, city, state, and ZIP code on your check or money order. Do not send this voucher with your check or money order.

Payment Voucher

Calendar year
Amount of estimated tax by check or money order.

Your first name and initial	Your last name	Yo
If joint payment, complete for spouse		
Spouse's first name and initial	Spouse's last name	Sp
Address (number, street, and apt. no.)		
City, state, and ZIP code. (If a foreign address, enter city, also complete spaces below.)		
Foreign country name	Foreign province/county	Fo

Tax Deadlines:

✓ Jan 15
Q4 Estimated Tax Payment (prior year)

✓ Jan 31
1099s, 1098s, W2s

✓ March 15
Partnership + S-Corp returns... or File Ext

✓ April 15
Individual returns (1040)... or File Extension
Q1 Estimated Tax Payment

✓ Jun 15
Q2 Estimated Tax Payment

✓ Sept 15
Extended Partnership + S-Corp returns
Q3 Estimated Tax Payment

✓ October 15
Extended Individual returns

ESTIMATED TAX PAYMENTS:

Federal



Direct Pay

[Have questions or need additional information?](#) | [Español](#)

Step 1 of 5

Tax Information

Select the appropriate payment type and reason for your payment. Information about payment types can be found by clicking the help icon (?). If you are making more than one type of payment or making payments for more than one tax year, submit each of them separately.

Business Taxes?

All business tax payments should be made through the [Electronic Federal Tax Payment System \(EFTPS\)](#)

Reason for Payment ?

Estimated Tax ▼

Apply Payment To ?

1040ES (for 1040, 1040A, 1040EZ) ▼

Tax Period for Payment ?

Select Year


Make sure to select the correct tax year!!!! ▼


CONTINUE >

ESTIMATED TAX PAYMENTS:

How To: Set up Est. Tax with ALABAMA



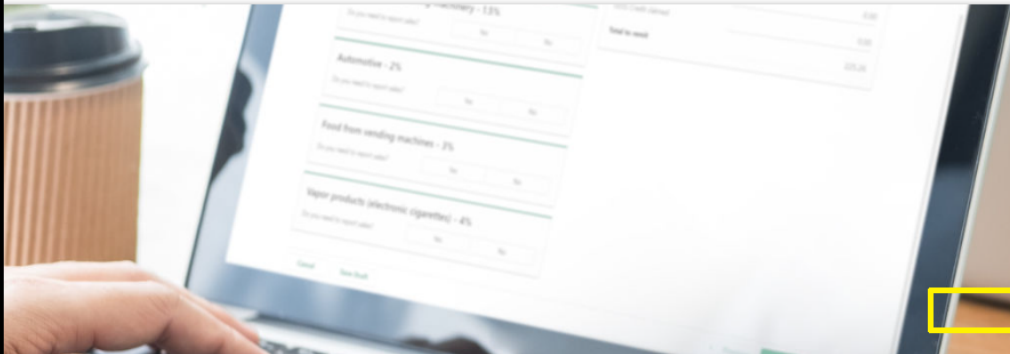
HELP CONTACT US

MAT  [My Alabama Taxes \(Home\)](#) ?

My Alabama Taxes Debit Block Code to Change by End of January 2024

Before January 31, 2024, if you pay taxes through My Alabama Taxes using accounts that employ a debit block which requires an Originating Company ID (or "debit block code") to be approved for ACH debits, then you must provide to your bank or financial institution an additional debit block code.

For More Information Visit: [My Alabama Taxes Debit Block Code Change](#)



[Forgot username or password?](#)
File Returns, Pay Taxes, View Letters, and more:
[Create a My Alabama Taxes account](#)

Form 1099: Due Jan 31st

- Failure to file the form could result in a penalty as much as \$2,000 per each omitted, late, or incorrect 1099-Misc.
- Also, copies of 1099s and summary returns are due to the IRS (Form 1096) and the State (Form-96) by January 31st.
- The problem you may encounter is those subcontractors that don't want you to issue them a 1099. Make sure you get them to fill out a W-9 form **before** you issue them a payment.

W-9
Form
(Rev. October 2018)
Department of the Treasury
Internal Revenue Service

Request for Taxpayer Identification Number and Certification

Give Form to the requester. Do not send to the IRS.

Go to www.irs.gov/FormW9 for instructions and the latest information.

1 Name (as shown on your income tax return). Name is required on this line; do not leave this line blank.

2 Business name/disregarded entity name, if different from above

3 Check appropriate box for federal tax classification of the person whose name is entered on line 1. Check only **one** of the following seven boxes.

☐ Individual/sole proprietor or single-member LLC

☐ C Corporation

☐ S Corporation

☐ Partnership

☐ Trust/estate

☐ Limited liability company. Enter the tax classification (C=C corporation, S=S corporation, P=Partnership) ▶

Note: Check the appropriate box in the line above for the tax classification of the single-member owner. Do not check LLC if the LLC is classified as a single-member LLC that is disregarded from the owner unless the owner of the LLC is another LLC that is **not** disregarded from the owner for U.S. federal tax purposes. Otherwise, a single-member LLC that is disregarded from the owner should check the appropriate box for the tax classification of its owner.

☐ Other (see instructions) ▶

4 Exemptions (codes apply only to certain entities, not individuals; see instructions on page 3):

Exempt payee code (if any) ▶

Exemption from FATCA reporting code (if any) ▶

(Applies to accounts maintained outside the U.S.)

5 Address (number, street, and apt. or suite no.) See instructions.

6 City, state, and ZIP code

7 List account number(s) here (optional)

Requester's name and address (optional)

Part I Taxpayer Identification Number (TIN)

Enter your TIN in the appropriate box. The TIN provided must match the name given on line 1 to avoid backup withholding. For individuals, this is generally your social security number (SSN). However, for a resident alien, sole proprietor, or disregarded entity, see the instructions for Part I, later. For other entities, it is your employer identification number (EIN). If you do not have a number, see *How to get a TIN*, later.

Note: If the account is in more than one name, see the instructions for line 1. Also see *What Name and Number To Give the Requester* for guidelines on whose number to enter.

Social security number

OR

Employer identification number

Part II Certification

<https://www.irs.gov/pub/irs-pdf/fw9.pdf>

SOLE PROPRIETOR VS S-CORP OR LLC

Forming an LLC or S-Corp is an **ENORMOUS tax and accounting decision**. There is no one-size-fits all response. Consult a reputable, knowledgeable CPA **BEFORE** you do this.

Ask an Attorney:

“What can an LLC do for me as a REALTOR that my Error & Omission insurance cannot do?”

MY CHECK LIST:

- ☐ Set up a **SEPARATE bank account** (and/or credit card) for your business.
- ☐ Carefully review the **Realtor Deduction Reference** so you know what you're entitled to deduct.
- ☐ Keep a **mileage log**.
- ☐ Pay **estimated tax** EVERY quarter as soon as you are profitable.
- ☐ Don't forget to file **Form 1099's** in January. Don't *DIY* this.
- ☐ DO NOT form an LLC or S-Corp without **consulting a CPA FIRST**. Get accounting and bookkeeping fees up front. (wait until Profit is \$100K+)
- ☐ You should be in contact with your **CPA ROUTINELY** throughout the year for tax planning.

 **DOWNLOAD**


To get the free Realtor's Expense Tracker (Excel), you must subscribe to our email list.

Income	Included in case you like to track your business income. Ex: Commission check	4
Ad Agency Fees		8
Classified Advertising		8
Imprinted Small gifts	Imprinted small gifts are considered Promotional items (such as magnets, pens, key chains). They are not subject to the \$25 per year per recipient rule. Tip: Non-imprinted client gifts (reported on line 27) are subject to the \$25 limitation. Therefore, you may to gift a	8
		8
		8
	ings on search	8
		8
		8
		8
	rs.	8
	ing hits and	8
	\$5 per mile) rather than tracking	9
		9
	on was reported to	10
	ded elsewhere (like	11
	stment property	
Office Equipment	Ex: Laptop, computer software, camera, GPS, cell phone device, printers, furniture, vehicles, computer software, telephone answering machine. (AKA: <i>depreciation expense</i>) Tip: Certain equipment purchases are considered an investment property and as such, you do not deduct the entire cost of the property. Instead, such property must be depreciated (with some exceptions). Rely on your CPA for calculating depreciation and determine which purchases meet the exception.	13
Employee Benefits	Ex: Includes accident and health plans, group term life insurance, and dependent care assistance programs. Tip: This rarely applies to RE Agents....	14
Investment expenses (other)		15

www.PatriciaLancaster.com/Realtors

Date	Card/Chk	Payee/Description	Debit or (credit)	Notes	Expense Category	Sub-Category
1/1/2015		AL.com	\$189.00	Online Ad	Advertising	Online Advertising
1/2/2015		Huntsville Times	\$189.00	Real Estate Ad	Advertising	Print Advertising
1/3/2015		Chevron	\$39.42	Gas	Auto	
1/4/2015	1234	Judy Realtor	\$250.00	check	Commissions_and_Fees	
1/5/2015		Best			Contract_Labor	
1/6/2015		Sm			Office_Equipment	
1/7/2015		Ban				
1/8/2015		Lan				
1/9/2015		Vista				
1/10/2015		Hon				
1/11/2015		Best				
1/12/2015		Wal				
1/13/2015		AL F				
1/14/2015		Mar				
1/15/2015		Zoe				
1/16/2015	1235	Roll Tide Program	\$100.00	Football ticket, client J. Vainain	Meals_and_Entertainment	
1/17/2015		Suzi Assistant	\$1,000.00	ABC Virtual Assistant INC	Contract Labor	

EXPENSE TRACKER

Easy to Use
Easy to Filter
Automated Summary for CPA

ADVERTISING, Line 8	\$ 1,134.19	PENSION & PROFIT SHARING, Line 19	\$ -
Ad Agency Fees	\$ -	Ex: contributions made on behalf of employees	
Classified Advertising	\$ -		
Imprinted Small gifts	\$ 24.99	RENT, Line 20	\$ 129.00
Logo/Clothing	\$ -		\$ 129.00
Marketing Materials	\$ -		\$ -
Online Advertising	\$ -		\$ 139.00
Print Advertising	\$ -		
Promotional Expense	\$ -		
INSURANCE, Line 15	\$ 532.00		
Business Insurance (other than	\$ 3.00		
Error and Omission Insurance	\$ 25.00		
INTEREST, Line 16	\$ 145.00		
Mortgage (other than	\$ -		
Other Interest (ex: Credit	\$ 199.00		
LEGAL & PROFESSIONAL, Line 17	\$ -		
Ex: Legal, accounting	\$ -		
OFFICE EXPENSE, Line 18	\$ 69.36	Open Houses	\$ -
Business Cards	\$ 69.36	Photographs	\$ -
Cleaning Supplies	\$ -	Publications & Subscriptions	\$ -
Copying Expenses	\$ -	State Unemployment Insurance	\$ 160.00
Decorative Items	\$ -		

EXPENSE SUMMARY

Automated
Organized by Tax Categories
For your CPA!



Any Expense keyed into the "Expense Log" will automatically flow into the "Summary for CPA"