LAKESHORE APARTMENT ASSOCIATION
PO BOX 1312
SHEBOYGAN, WI 53082

ADDRESS CORRECTION REQUESTED

LAKESHORE APARTMENT ASSOCATION NEWSLETTER

The Lakeshore Apartment Association publishes this newsletter for its members. Information included was obtained from sources deemed to be reliable and accurate. No warranty or representation is made as to the accuracy thereof and is subject to correction. Members are invited to submit articles and ideas for publication. Items are to be submitted by the 30th of each month prior to publication.

Place your rental Ads on our website as a free service with your membership:

www.SheboyganAreaRentals.com

INSIDE THE MAY ISSUE

PAGES:

http://laa.rentals/

PRESIDENT'S LETTER

Hello All,

Hopefully this finds everyone safe and healthy!

In compliance with the governors order we will not have a general or board meeting in May. June we will just have to wait and see. Looking forward to seeing everyone again when we can.

The new normal is that "things are not normal". We still have businesses to run and we have to move forward. All of your goals you set early in the year still need to be kept on schedule. With some nicer weather take a look at each one of your properties to keep up a clean neat outside appearance. This is not only good for you, your tenants but also the community.

Garbage bins; this is a change for everyone let's do our part to make it a pleasant one. Work with your tenants to find a good spot to keep them. In talking with some other landlords they are putting patio blocks where they don't have cement. When questions do arise from either you or your tenants please refer to the city web-page. .
https://sheboygandpw.com/

The changing times we now live in is effecting everyone. Stress and tension maybe higher with some people than others. We are the leaders and the professional business owners. Treat the people you deal with kindness and respect. Whether it is the person at the check-out line or our tenants. Please don't escalate emotions. This only makes things worse and then no-one wins.

WE CAN DO IT!

Respectfully yours,

Jim Longo

President LAA

LAKESHORE APARTMENT ASSOCIATION IMPORTANT DATES

Monthly Meetings Under Way!

Mark your Third Thursdays for LAA!

7pm at the Lakeshore Lanes

Invite a Real Estate Investor friend!

May 21st

Canceled

June 18th

TBD

FEATURED MEMBER BENEFITS:

- LAA has a private **Facebook** page called "**Landlord Connections**". Get access by sending a Friend request to **David Humbracht** and asking him for "Landlord Connections." This is a great way to communicate with other members between our meetings. Ask for help or reply to another post! The power of Facebook! - David Humbracht
- LAA is a member of the **Sheboygan Chamber of Commerce**, which means you are too! They have orientation meetings on their calendar that you will to attend one time to unleash the full benefits of the Chamber. Directions: Go to **https://sheboygan.org/** =look at the top bar:

1. Explains why you should consider using the Chamber
2. **Calendar**… Chamber Calendar -click here to find the next **Member Orientation** event and register

- **LAA advertisers**… new ads for 2019! Many of our advertisers are offering **members-only discounts**… see last page for details!! -more to come

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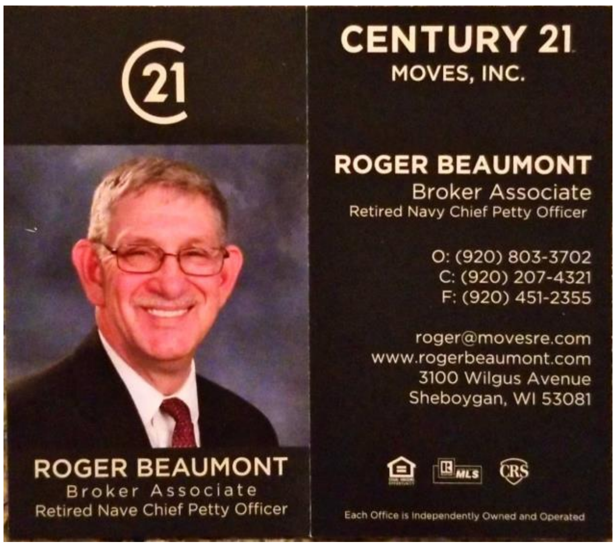
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MY TENANTS ARE PAYING DESPITE CORONAVIRUS—AND I THINK I KNOW WHY

Ben Leybovich

Expertise: Mortgages & Creative Financing, Personal Development, Landlording & Rental Properties, Personal Finance, Real Estate News & Commentary, Real Estate Deal Analysis & Advice, Real Estate Investing Basics, Business Management, Commercial Real Estate

175 Articles Written

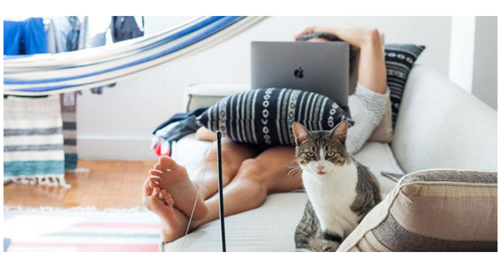
The premise is simple—apartments will prove themselves to be one of the most stable investments during this pandemic. The rationale behind the premise is based on several factors:

- An apartment is a home for all those who can't afford a house.
- A home is a necessity.
- The legislators and the Fed alike are invested in protecting people's housing.

Yes, my own belief has been that while we will certainly have struggles in the short-run, apartments will ultimately outperform other investment vehicles coming through the COVID-19 pandemic.
So, now that we are in the final few days of April and have gained a meaningful perspective on both national statistics and the performance of our own portfolios, is this belief being validated?
Let's talk.

VAST MAJORITY OF RENTERS ARE MAKING PAYMENTS

The National Multifamily Housing Council (NMHC) recently reported on the findings of their rent payment tracker. Data show 89% of the households in apartment communities across America made a full or partial payment toward April rent.
Put into historical context, NMHC tracked the same thing this time last year and found that 93% of renter households made at least a partial payment toward rent. This is a -4% apparent impact due to COVID-19. Further, relative to last month (March), April lagged -5%, according to the NMHC payment tracker.
The fat lady hasn't sung yet. In fact, she has barely started warming up her vocal cords. But whether it's -4% or -5%, I tend to think that relative to the calamitous losses in other investment classes and vehicles, multifamily has to be viewed as doing pretty well.
Related: *Landlord Emergency Preparedness 101: What Real Estate Investors Should Do Before Disaster Strikes*



That said, we have to acknowledge that the above-mentioned numbers track the act of payment by focusing on how many households paid. The numbers do not track the amount paid.
In other words, say we bill out $1,300 of rent in April, but the resident paid $500 and executed a PTP for the rest. While they get counted as having participated in the activity of paying rent, relative to actual collections, we are behind since we received only a partial payment.
So, let's dig in a bit.

(Note: Let us not overcomplicate for now and leave the issue of accounts receivable and how it may play out in the coming months for another time.)

EVEN MORE RENTERS ARE PAYING IN HIGHER-END COMMUNITIES

As per our normal management infrastructure, we receive weekly reports from all of our on-site managers, capturing a number of vital statistics. These reports are not something specific to the COVID-19 pandemic. This is simply how we routinely keep track of things.

In April, however, we've implemented daily reporting across our Phoenix portfolio to help us dial things in.

As of April 23rd, 97% of residents across our portfolio have paid full or partial rent. This is compared to the national average per NMHC of 89%. However, our collections, as represented by bank deposits, are trailing at -8% relative to the same timeframe in March.

Both of these numbers require further qualification.

Among the assets we've owned for 12 months or longer, where we've renovated at least half of the units and completed most of the community amenities, we experienced 98% of residents making rent payments and collections are down by only 5%. On the other hand, at assets we've owned for under a year, only 96% of tenants made a full or partial rent payment and collections are trailing March by 11% on average.

Related: *The Essential Importance of Cash Reserves in a Crisis*

MAKING SENSE OF THE NUMBERS

Actually, this has been an increasingly satisfying exercise for us thus far. Why? Because we are watching theory become reality.

We purchase underperforming assets where we implement extensive value-add programs. Our typical interior scope is $11,000—more if we are installing washer/dryers—plus whatever we need to spend on the community amenities.

The thesis behind spending $15,000-$30,000 per unit all-in is to completely re-position the property in such a way as to attract a higher qualified tenant profile and lift rents by $250-$400. Clearly, the objective is to improve value, but that's not all.

In times of economic distress, there can always be observed a flight to quality. People who have quality are less likely to part with it, and people who couldn't afford quality before look for discounts allowing them to upgrade.

Simply put, you want to own quality when there is an increased demand for it.

That said, I am of the opinion that doing extensive renovations not only allows us to grow revenues in good times, but it also protects our downside in bad times. And for this reason, I think it's absolutely critical to continue the implementation of the value-add programs we've begun.

The reality for many apartment syndicators is that they got into deals with insufficient reserve capital, which means that in times of stress, they must shut down their CapEx projects in order to reallocate capital to operations. However, while this may be prudent in the immediate future (if you don't have enough reserves), freezing those projects is the exact wrong thing to do relative to future success.

Those CapEx projects are the thing that makes your asset better than the competition, keeps the asset from becoming functionally obsolete, and helps the asset to qualify itself as "quality" in the eyes of the potential residents. This is precisely why my company goes into deals with nine months of debt service reserve in every project, as I discussed in my last article. Thus, we are able to continue both exterior and interior renovations at all of our communities, with some safety adjustments due to COVID-19.

But coming back to April collections, the numbers seem to validate the thesis that high-quality renovated properties do better in times of distress. At communities where the majority of the amenities are completed and at least 50% of the units are renovated and rented at much higher rates, we are seeing more people pay. And more of those who pay are able to cover their entire rent. Meanwhile, at the less-repositioned properties, we are seeing more people unable to pay. And of those who do pay, many require a payment plan.

CONCLUSION

Well, as we consider the impact of COVID-19, it's been manageable thus far. We have been successful at continuing to lease available units at all sites and to pre-lease units that are currently under renovation. Both are very encouraging signs.

Exterior and unit-interior renovation crews have been working, and there has been no loss of productivity to date (aside from some accommodations for safety due to the pandemic).

All and all, while this has been and will continue to be a challenging time, thus far, COVID-19 has not been a calamity for us. But of course, what will happen in May is still unknown.

As I survey asset classes, the premise seems to be proving out—apartments are seemingly one of the most stable investments during this pandemic. It's one of many reasons why there is no place I'd rather be than large multifamily.

By Ben Leybovich

Ben has been investing in multifamily residential real estate for over a decade. An expert in creative financing, he has been a guest on numerous real estate-related podcasts, including the BiggerPockets Podcast. He was also featured on the cover of REI Wealth Monthly and is a public speaker at events across the country. Ben is the creator of Cash Flow Freedom University, the author of House Hacking, and a noted Multifamily Underwriting coach. Through his company, Source Capital LLC, Ben currently operates $40M of multifamily real estate. Learn more about him at JustAskBenWhy.com.

LANDLORD EMERGENCY PREPAREDNESS 101: WHAT REAL ESTATE INVESTORS SHOULD DO BEFORE DISASTER STRIKES

Steve Rozenberg

Expertise: Landlording & Rental Properties

12 Articles Written

Landlording during an emergency like coronavirus (or any natural disaster) can be a scary and nerve-wracking experience. You worry about you and your family, as well as your tenants' safety and well-being. And you're also concerned about your real estate investment business.

Will your property be okay? What resources are available if you need to repair and rebuild? How long will you go without rental income? Having an emergency plan can help in advance—but if you're caught by surprise, ease your panic by knowing these simple strategies and solutions. You will come out stronger on the other side.

Trust me. I know.

Being a landlord in Houston, Texas, I have endured my fair share of natural disasters. On day one of Hurricane Ike, our properties lost more than 20 roofs. Rain poured into the residences. My team had to stop the emergency, deal with damaged personal property, keep the homes safe and habitable, and, finally, coordinate roofers to fix, repair, patch, or at least tarp the roofs. Not to mention dealing with the insurance company, which can be a monumental task, causing stress levels to go through the roof—no pun intended.

THE BASIC ELEMENTS OF LANDLORDING DURING AN EMERGENCY

I'm both a pilot and a real estate investor—and during emergencies, I find my two careers have a surprising amount in common. My pilot's training is directly relevant to landlording during an emergency. At its core: **When confronting a crisis, take a breath.** Doing so reduces your stress level and gives your mind a moment to process what's happening.

Next, **designate who's in charge of the situation and delegate responsibilities**. This distinction is essential if you have business partners. But even if you're flying solo, you may have tenants.

First, they need to know you're in control. Second, there may be tasks you need them to complete—such as boarding up windows before a hurricane. Identify who's in charge, delegate responsibilities, and understand the tasks you need to complete.

To do so, **specify and define the problems you're facing**. Tackle each challenge one-by-one, focusing on the solution, not the problem. Dwelling on the issue only increases your anxiety, and it doesn't remedy the predicament. Instead, put your energy into overcoming the obstacle.

Throughout the process, **over-communicate with everyone involved**. In an airplane, that's your co-pilot, crew, and air traffic control. In real estate investment, there's a long list of people with whom you should communicate, such as lenders, property managers, and business partners. You also may need to connect with government officials, first responders, insurance agents, and local authorities.

Handling a crisis as a pilot requires planning. The same is true of landlording: You're responsible for ensuring your tenants remain safe, protecting your property, and knowing what's expected of you if disaster strikes. That's where an emergency management plan comes in.

WHY LANDLORDS NEED AN EMERGENCY MANAGEMENT PLAN

The best time to plan for an emergency is before one occurs.

Without a plan, your property, finances, and stress level may suffer greater damage. A natural disaster, like a hurricane, could cause you to lose essential documents needed to get your investment business back up and running. And, most importantly, you or your tenant may suffer personal harm or injury. It's too risky *not* to organize for landlording during an emergency. And as a business owner, it can be irresponsible for you not to pre-think these possible challenges before they happen.

During an emergency is not the time to create a plan.

If you've hired a property management company, ask them if they have an emergency management plan. If so, ensure they've provided that information to your tenants.

But if your property management company doesn't have a disaster response plan, or if you aren't working with such a company, you're responsible for creating an emergency management plan. Fortunately, this guide can help.

Below, we'll cover why you need an emergency management plan and what it should include. We'll talk about creating an emergency supply kit for you and your tenants. And we'll walk through how you should handle a crisis.

As an extra resource, you can use the Federal Emergency Management Agency's (FEMA) checklist of items to consider including in your plan. While FEMA's list is for a broad audience, it's a robust framework and excellent starting point.

Ask your insurance provider and local authorities to review your completed plan. This extra step improves the emergency preparedness for you and your tenants.

Once your plan and emergency supply kit are ready, you need to make sure your renter knows about and has access to both. The best time to do this is at move-in. Show them the location of smoke detectors, fire extinguishers, fire exits, and utility shut-offs.

For multifamily properties or apartment complexes, make sure residents know where all the emergency exits are located. Verify their emergency contact info, and encourage them to install FEMA's mobile app on their phones.

Now you know why you need an emergency management plan. Let's talk about what to include.

WHAT TO INCLUDE IN YOUR EMERGENCY PLAN

You need to make two emergency management plans: one for your business and one for your tenant. The plan you make for yourself is what you need to know and do as a landlord. The plan you prepare for your tenant tells them how to stay safe, including any specific information about your property.

The version you make for yourself should include:

- A maintenance checklist, including fire extinguishers
- Instructions for shutting off water, gas, and electricity to your property
- Contact details for local emergency agencies, contractors, and your insurance provider
- The tenant emergency guide

The plan you give your tenants should focus on their safety. List everything they need to know about the property, including the location of:

- Fire extinguishers
- Fire exits
- Breakers
- Water shut-offs
- Electrical panels
- Evacuation plans

Let your tenants know how you'll communicate with them in an emergency. Give them contact information for local agencies, and remind them about FEMA's mobile app. Also, incorporate info about registering as safe on the Red Cross' website in the event of a natural disaster.

Some locations, such as those in hurricane-prone areas, have pre-planned evacuation routes. Include this information in your plan, if available where you're located.

Likewise, some events require staying in place. Your plan should account for this scenario as well. FEMA provides guidelines for sheltering in the event of an emergency.

If you allow pets at your rental property, take animal safety into account as well. The American Society for the Prevention of Cruelty to Animals (ASPCA) provides rescue alert stickers that make it easy to identify if pets are inside a home. You might want to give these stickers to your tenants. For more insight on pet safety during an emergency, you can visit resources from FEMA and ASPCA.

Putting your plan and resources in a tabbed binder is a handy way to organize your emergency management plan. Doing so makes it easy to access information when you need it. And the tabs allow you and your tenant to find details quickly, which may be necessary during a crisis. Send them an electronic version of the document stored in the cloud, too, as well as pictures of all the shut-off locations in case they can no longer access the unit.

Another significant factor in preparing for an emergency is geography. Different locations need to prepare for different disasters. There's no need to prepare for hurricanes in Minneapolis; it's unlikely you'll encounter a city-shuttering blizzard in Miami. That's why it's crucial to understand the risks in your area.

UNDERSTAND YOUR AREA'S RISKS

You can use the National Center for Disaster Preparedness' Natural Hazards Index to help identify what risks your area faces. The Index identifies a county's natural disaster danger. It tracks 11 potential hazards, including wildfires, tornados, hurricanes, flooding, and earthquakes.

Flooding is the most common natural emergency—and it's something every landlord should prepare for, regardless of where you're located. Between 1996 and 2019, 99 percent of U.S. counties experienced a flooding event. You can assess your property's flood risk by entering the address into [FEMA's Flood Map Service](#).

Another danger all rental properties face is fire. U.S. fire departments responded to an average of 354,400 home fires each year between 2013 and 2017. These fires caused nearly 14,000 deaths and injuries and $6.9 billion in property damage.

That's why you must take steps to increase your tenants' safety *before* the emergency occurs.

First, install functioning smoke detectors. Once you do, check monthly to ensure the detectors are working correctly.

Make sure your property's windows can open, and that tenants can remove security bars or screens from the inside. Ensure the electrical cords on your appliances aren't frayed or damaged. Provide fire extinguishers, keep them up to date, and let your tenants know where they're located.

Visit [Ready.gov](#) for more guidance on preparing for particular disasters, from tornadoes to hurricanes. The information isn't specific to landlords, but you can adapt the advice to your needs.

After understanding your regional risks, the next step is knowing how you'll get information if a situation unfolds.

HOW TO STAY INFORMED

Information is vital in an emergency. The more you know, the safer and better off you and your tenants will be. That's why you need to make sure you have a way to receive details from authorities.

For information, you'll want to rely on the federal, state, and local government agencies responsible for disseminating facts and guidance in an emergency. On the national level, look to agencies like FEMA, the National Oceanic and Atmospheric Administration (NOAA), and the Centers for Disease Control. Their websites and social media will likely have updates, but you can also install [FEMA's mobile application](#). The [Red Cross provides many mobile apps](#) for staying up to date in emergencies and natural disasters, too.

For weather-related information, use a NOAA Weather Radio with tone alert. FEMA recommends including such a device, or a battery-powered or hand-cranked radio, in your emergency supply kit. That way, you won't be cut off from the outside world if you lose electricity and cell phone service.

And what about state and local emergency agencies? You can use [this page from FEMA](#) to access links to these organizations in your area.

Along with staying updated, you need to ensure you have access to other types of information—stored in the digital cloud or in airtight plastic bags or fireproof safes, if necessary:

- Financial, personal, and business records
- Insurance policies and insurance agents' contact info
- Names and contact info of your contractors and other vendors
- Online usernames and passwords.

If you don't already have a power of attorney in place, do so now. Who will make decisions on your behalf if something happens to you? Answer that question, work with your lawyer to make it legal, and include that documentation in your emergency supply kit.

ADDITIONAL RESOURCES FOR LANDLORDS

Want to know more about landlord emergency preparedness? Sign up for BiggerPockets and download our full guide from Steve Rozenberg—including:

- How to develop an emergency plan
- Sample letters for tenants
- An emergency preparedness checklist for real estate investors

By Steve Rozenberg

Steve Rozenberg is the vice president of education for Mynd Property Management. In this role, he educates investors about the benefits of small residential investing with a variety of content, including podcasts, video blogs, and more. Before joining Mynd, Steve was a principal at Empire Industries, LLC, a leading single family rental (SFR) property management firm in Texas that managed over 800 homes in Houston and Dallas/Fort Worth.

CORONAVIRUS RELIEF BILL: WHAT'S IN IT FOR YOU AS A REAL ESTATE INVESTOR?

Amanda Han

Expertise: Business Management, Real Estate Investing Basics, Personal Finance, Personal Development, Real Estate News & Commentary, Mortgages & Creative Financing

The largest economic relief bill in U.S. history has passed. With over $2 trillion in relief funding, many are left wondering what's in it for me? Specifically, what's in it for me as a real estate investor?

There are many changes that range from tax deadlines and stimulus checks to new tax credits and new depreciation rules. Additional changes include government loan programs, retirement account rules, as well as opportunities to turn tax losses into immediate cash in your pocket. The changes are still fluid and important details are still being released and clarified on a daily (sometimes even hourly) basis, as the government works through all of the various moving pieces. As such, please consider this important disclaimer: ***The items discussed in this post may not reflect all of the most current information.***

Therefore, make sure to check with your own team of advisors on how these may apply to your unique situation. In the meantime, here are the highlights of some of those changes that you may be interested in as a real estate investor.

ECONOMIC IMPACT PAYMENTS

You probably already know a one-time $1,200/$2,400 economic impact payment check is on the way for many taxpayers. Eligibility for the immediate refund check will be based on your most recently filed return (2018 or 2019).

The actual credit will be reconciled on 2020 taxes, so any eligible amounts not received currently may be a credit on the 2020 income tax return.

Below are the payment amounts and income limitations:

Filing Status	Economic Impact Amount	Adjusted Gross Income Phaseout Range
Single	$1,200	$75,000-$99,000
Married	$2,400	$150,000-$198,000
Head of household w/1 child	$1,750	$112,500-$136,500

If your 2019 income is currently above the threshold and you have not filed your 2019 taxes yet, filing your taxes as soon as possible and maximizing your real estate write-offs, increasing retirement account contributions, or accelerating depreciation to lower your income may be beneficial.

Now, what if these tips do not work for you due to your real estate losses being limited?

The good news is that you can plan ahead and determine if these strategies may be able to lower your 2020 income instead.

For example, if accelerating depreciation in 2019 was not an option because you were not able to claim real estate professional status, then plan ahead for the rest of this year to see if it would be a possibility in 2020. Remember, since the stimulus check will be reconciled on your 2020 tax return, you may still be eligible for the tax benefit if your 2020 income is below the phaseout range.

Related: *The Big Tax Benefits of Being a Real Estate Professional (& Exactly How to Qualify)*
The IRS website has an Economic Impact Payments FAQs that you may find helpful.

NEW TAX DEADLINES & PAYMENT DEADLINES

We previously shared that the IRS and many states have delayed the deadlines for filing and payment of certain taxes to July 15, 2020. Payments that were originally due between April 1, 2020 and July 15, 2020 will not incur any interest or penalties during this period.

You do not need to file any forms to receive the benefit of this particular extension. It is an automatic extension.

If your returns will not be completed by July 15th, you can file tax extensions to receive even more time to file your 2019 taxes.

For example, if by early July you realize that you still need more time to prepare your 2019 personal taxes, you can file personal tax extensions with the IRS by July 15. With that extension, you will then have until October 15, 2020 to file your 2019 personal taxes.

Do keep in mind that any payments due should still be paid by the July 15th deadline. Any amount due that is not paid by July 15 may be subject to late payment penalties.

The IRS has put together a Filing and Payments FAQ page regarding the new deadlines that you may find helpful.

CHANGES TO RETIREMENT ACCOUNTS

Several big changes with respect to retirement accounts also came out that we as investors should know.

First, the deadlines for making 2019 retirement contributions to accounts, such as IRAs and Roth IRAs, are now also extended until July 15th. This includes contributions to self-directed accounts, as well. This gives investors more time to assess our liquidity and also more insight into 2020 before we decide on whether to make the contributions.

For those investors who generally need to take required minimum distributions (RMDs), this is no longer required for the 2020 year.

For many who have already taken required minimum distributions, it may be possible to put that money back into the account to avoid taxes in 2020. This benefit is available for regular retirement accounts, as well as self-directed retirement accounts.

Another notable change is the ability for investors to take out up to $100K in distributions from retirement accounts, such as IRAs and 401(k)s. These distributions can escape the 10 percent early distribution penalty—but may still be taxable.

For these distributions, you are able to access the money from these retirement accounts today, but you can spread the associated taxes over a three-year period. Alternatively, if you want to avoid the taxes altogether, you can do that as long as you put the money back into the account within three years.

One important thing to note is that in order to benefit from this new rule, the distribution must be related to coronavirus, where the recipient experienced adverse financial consequences as a direct result of the COVID-19 pandemic.

One of the more talked about tax changes—relating to retirement money—that taxpayers impacted by coronavirus need to know about is the ability to borrow up to $100K from 401(k)s. The new rule allows account holders to borrow up to 100 percent of the account balance, with a maximum loan of $100K.

The 401(k) loans do need to be repaid in order to avoid taxes and penalties, although the repayments do not need to start until 2021. The new loan benefits apply to self-directed Solo 401(k)s, as well.

An important thing to keep in mind is that just because the IRS has these new rules for distributions and loans, it does not mean you should be taking this money out. A lot of costly mistakes can occur when taking money out of retirement accounts erroneously or by not following all of the new rules. So it is imperative that you work with your tax advisor and retirement plan custodian before tapping into that money.

Related: *Finding the Right Tax Advisor for Your Real Estate Investments*

Depending on your 2019 and 2020 financial situation, there may be many opportunities with respect to tax planning around retirement funds.

STIMULUS PACKAGE UPSIDES FOR LANDLORDS

For investors who own rental properties, some of the new IRS changes could turn losses into immediate cash in your pocket. If you had a net operating loss on your 2018 or 2019 taxes, you may now be able to file refund claims by carrying those losses back five years to offset taxes paid in those prior years.

Let’s go over an example.

John started as a real estate broker back in 2014, made a good chunk of money every year since then and ended up paying a lot of taxes each year. In 2019, John focused more of his time on growing his rental portfolio and purchased a handful of properties.

By maximizing his tax write-offs and depreciation, he was able to create a net operating loss of $50K on his 2019 return. Under the new tax changes, John is now able to carry that $50K loss back to 2014 and get an immediate refund for taxes paid back in 2014.

On a similar note, the new tax change removed the excess business loss limitation of $250K/$500K (single/married filing jointly) for years between 2018-2020.

An example may be a real estate professional who did a cost segregation in 2018 who was not able to use all of their losses to offset their taxable income because of this particular limitation. That investor may now have an opportunity to file amended returns to use those excess, unused losses to claim a tax refund.

In addition, for investors who owned nonresidential real estate and who had qualified improvement property additions, these improvements may now be potentially eligible for 100 percent bonus depreciation. Just like the above, this change is also applicable retroactive to 2018 and 2019 tax years.

Outside of income taxes, rental investors may also want to consider applying for the Economic Injury Disaster Loan (EIDL) to help with potential cash flow issues. The loan includes a grant of up to $10K that can be used for eligible expenses. This loan is applied for directly with the SBA and has a loan term of up to 30 years with a maximum loan amount of $2M.

You do not need to own your rentals in a legal entity and can potentially receive this loan even if all your rentals are held in your personal name. For more information on this loan, be sure to check out the SBA's website.

Keep in mind that this loan is not limited to those who own rental properties and actually applies to many different types of businesses. If you are an active real estate investor, such as a flipper, wholesaler, Realtor, or syndicator, you may also want to check out this loan program. Again, you do not need to have a legal entity in order to apply for the loan, and it is also available to sole proprietors.

If you are a landlord (or have another type of qualified business) who also has employees on payroll, be sure to continue reading this next section.

STIMULUS PACKAGE UPSIDES FOR ACTIVE INVESTORS

Flippers, wholesalers, syndicators, Realtors—and some landlords—here's what you should know. For those earning active income in real estate, as well as landlords or business owners who have employees on payroll, the government has a few new benefits that you may be able to take advantage of.

The first are the new tax credits related to the expanded family medical leave and emergency sick leave. If you continue to pay your employees, the government may provide you with a tax credit of up to $10K per employee if certain requirements are met. Now, we understand that not all real estate business owners have employees.

The good news is that as an owner of your real estate business, the compensation you pay yourself may also be eligible for this tax credit. In fact, even if you are just a sole proprietor and have no payroll, you may still be eligible for this benefit to reduce your self-employment taxes.

The IRS has a FAQ page for more information regarding the new sick and family leave requirements and related tax credits.

The Small Business Administration (SBA) also has another loan that may be extremely helpful for those with an active real estate business. This one is called the Paycheck Protection Program (PPP). This loan is designed to help sole proprietors and businesses (with generally less than 500 employees) pay for payroll and other related costs.

If used for the intended purposes, part of this loan may be forgiven. For example, if all of the requirements are met, the SBA gives you a forgivable loan for paying yourself in your real estate business.

Sound too good to be true? Not necessarily.

There are many rules relating to this loan program, so be sure to speak with your team of advisors before applying for this loan with your bank. For more information, visit the SBA's page on the PPP program.

This is just the tip of the iceberg. Do keep in mind there is a ton of additional information and restrictions regarding each of these topics, and we have selected some of the most relevant information that may be applicable to real estate investors. And as mentioned, ***these rules are changing on a very frequent basis***.

We hope you find the information to be helpful but do encourage you to connect with your team of advisors to see how these new changes may be beneficial for you.

By Amanda Han

Amanda is a CPA specializing in tax strategies for real estate, self-directed investing, and individual tax planning with over 18 years' experience. She is also a real estate investor of over 10 years with a focus on long-term hold residential and multi-family assets across multiple states.

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