



Minimum bookkeeping requirements for RE investors

- They are “minimum” because they are for the IRS only. Professional bookkeeping is much harder.
- Software is **not** required. Old-fashioned pen&paper will do. (I sell some organizers – see website)
- If you do use software – use simple one, such as *Quicken*™. *QuickBooks*™ is **not** for beginners.
- Every tax preparer has his/her own requirements. Mine may not satisfy somebody else.
- See my website – www.MichaelPlaks.com – for additional articles, documents, and organizers.

Separation is required

- **Business** income & expenses must be separated from **personal** – even if you use the same account
- Income and expenses must be separated between different businesses – even if *you* run all of them.
- Closely related businesses can be combined. Example: realtor + wholesaler + mortgage broker.
- Operating **rentals** is *always* a separate business from other investments, such as **flips** or **rehab**s.
- Income and expenses must be separate for *each* **rental** property, and often for *each* flip/rehab too.

Recording of business expenses

- For each expense, 4 elements **must** be recorded: date, how much, who it was paid to, and what for.
- Each expense will need a **category** for taxes. A detailed list of expense categories, along with useful tips, is included in my “*Introduction to Bookkeeping*” guide – see www.MichaelPlaks.com
- If not using my guides and organizers, use categories from the IRS schedules C and E.
- Avoid vague categories like “other” and “miscellaneous.” Itemize expenses that are hard to label.
- Expenses count for tax purposes when they are either paid by cash/check or when charged on credit.

Bookkeeping for rental properties

- Each property must be recorded separately.
- There are also “general business **overhead**” expenses not specific to any property.
- All expenses **prior** to the “*placed in service*” date (such as initial rehab) are part of the property cost.
- After the “placed in service” date, it’s critical to separate *current repairs* from *improvements*.

Bookkeeping for non-rental businesses, including flipping/rehabbing

- All expenses **prior** to the “*start*” date (such as legal and education) are “*start-up*” expenses.
- *All costs* related to a specific flip/rehab property are accumulated until the property is **sold**.
- There are special requirements for retail/wholesale businesses that keep **inventory** for resale.

Bookkeeping for business use of automobile

- The IRS requires **written log** of your business-related mileage: when, where, why, how far.
- In addition to the log, it is helpful to keep track of all actual **expenses** related to the automobile.

Note: I also published a 5-page “*RE Investor’s Introduction to Bookkeeping*” guide that includes more specific tips, rules, and lists of expense categories. Please visit www.MichaelPlaks.com.