

Harding Bell International, Inc.

Information & Instructions - 2019 Tax Year Filing

As part of our preparation for your US tax compliance for the year 2019 and the compiling of your US Non-Resident Income Tax Return (1040NR), we enclose our tax questionnaire for your completion. If you have not already downloaded the 2019 income & expense spreadsheet from our website, please submit your information using the annual questionnaire.

Annual Questionnaire – Page One should be completed for EACH tax year that you have engaged HBI to prepare. Select the appropriate year from the drop down list at the upper right hand corner of page one. Enter your contact information and details of ALL trips to and from the US during the tax year regardless of whether you visited or stayed in your property. This page also reflects the questions required to be answered on page five of the Non-Resident US Income Tax Return regarding residency and citizenship etc. If you received US source income OTHER than from your rental and investment properties, such as through a US partnership or dividends via stock investments, please make a note of this on page one and attach the appropriate supporting documentation. **Page One** should be completed for ALL owners (use additional forms if required).

Annual Questionnaire – Page Two should be completed for EACH property that you owned and rented during the period January 1st to December 31st of the year of the return - enter your personal days, rented days (where fair market rent was collected), income and expenditure for each rental property in the relevant sections.

For an in-depth explanation of the Questionnaire, please see our [Video Guide Series](#) on the HBI website.

Receipts & Record-keeping - please provide **COPIES** of receipts for major additions, improvements & upgrades (individual items of greater than \$500 value) and, where applicable, a copy of Form 1098 issued by your US lender.

Please note; if your management company purchased items on your behalf then the management company statement is effectively your receipt.

We do not require any other supporting documentation although you must retain proof of the expenditure that you claim should the IRS request evidence. If you choose to submit **COPIES** of management company statements, receipts etc., we will be happy to book-keep these on your behalf, however; an additional administration fee will apply. All statement & receipt copies provided to us will be disposed of securely once your tax returns have been prepared and submitted to you for review.

Harding Bell International, Inc. retains copies of tax returns for a period of seven years. We strongly recommend that you retain copies of ALL tax returns and supporting documentation for a period of seven years AFTER the sale or transfer of your US property should the IRS audit your account.

Changes to the current tax law will potentially impact non-resident individual taxpayers. Effective December 31, 2017 the personal exemption was permanently eliminated. This change means that the personal exemption available for all non-resident individuals to decrease taxable income is reduced from \$4,050 in 2017 to \$0 in 2018 onward. In other words, overall taxable income has increased for all non-residents.

If your rental property is currently operating at a profit, please notify HBI immediately. The deadline to file your 2019 Form 1040NR and pay all required tax is June 15, 2020.

Non-residents who expect to owe at least \$1,000 are liable for quarterly installments to pre-pay 2020-estimated tax using Forms 1040-ES. Please notify us prior to March 15, 2020 for details.

Payment dates • April 15, 2020 • June 15, 2020 • September 15, 2020 • January 15, 2021

Extension of Time to File – The filing deadline for individuals is April 15th for US citizens and permanent residents and June 15th for non-residents. If your information is not received thirty days prior to your filing deadline, Harding Bell

International, Inc. will prepare and file an extension for each owner of the US property – a fee of \$25 per owner will be applied to your account. Please note that filing the extension only extends the time to file your tax return – it does NOT extend the time to pay any income tax due.

Taxpayers will be subject to penalties and interest for late filings and late payment. If you believe that you may owe tax to the IRS, please contact our office so that we can prepare a calculation and ensure a timely submission of funds.

Sale or Addition of Properties – please provide copies of settlement statements from the sale and/or purchase of properties. For new purchase, please also provide copies of receipts for appliances or furnishings and details of any loan. A fee of \$95 for the setup of each additional property will be applied. An additional fee of \$125 will be added for sold properties.

Additional Owners – should you add an owner to the title of property they will require a US Taxpayer Identification Number. We will provide you with the appropriate paperwork to complete and return. A fee of \$150 applies.

Security of Information – Your completed tax returns will be uploaded to your Net Client Portal for review. Please use your user name and password to log on and review your returns.

Submitting your Tax Return to the IRS and/or State – At the time the returns are uploaded to your portal, we will email you instructions for signing the tax returns. Once you have reviewed your tax return simply print the signature page, sign, date, and submit via upload, email, or postal mail to our Auburndale office as per instructions. Upon receipt, we will compile the return and submit to the IRS on your behalf via electronic filing or certified mail if electronic filing does not apply to your situation.

2020 Income & Expense Worksheet – For your convenience, our [2020 income & expense worksheet](#) is available for download from our website. This spreadsheet may be used during the 2020 tax year to record your monthly income & expenses on your rental property.

US Citizens & Permanent Residents – If you are a US citizen or permanent resident (green card holder) living outside of the US you are required to report your **worldwide income**. In addition, you must provide details of foreign (non US) financial accounts including bank accounts, brokerage accounts, mutual funds, unit trusts or other types of financial accounts where the total combined value exceeded \$10,000 at any time during the calendar year – this FBAR report must be electronically filed by April 15th. Penalties for late or non-filing are significant.

Interest in US Partnership – if you hold an interest in a US partnership you will receive Form K-1 and associated documentation from the accountants preparing the partnership business tax return. Please ensure that this paperwork is included with your completed questionnaires as further Federal and State filings may be due.

Ownership via Limited Liability Corporation - LLC (disregarded entity) – if you hold an interest in US property via an LLC please note that you are required to register and file an Annual Report to the Department of State where your property is located. You must also have a registered agent within the state where your property is located.

If you require assistance with filing the Annual Report or registered agent, please contact our office. Late filings are subject to increased penalties.

NEW From 2017 – New IRS filing requirement for foreign-owned U.S. disregarded entities. – Where reportable transactions between the LLC and the owner occurred during the tax year, new IRS regulations treat a domestic disregarded entity wholly owned by a foreign person as a U.S. corporation for purposes of requiring the filing of Form 5472. Please advise our office if you hold a single owner LLC or have transferred ownership of your property to an LLC.

PENALTIES FOR FAILURE TO FILE FORM 5472 - A penalty of \$25,000 will be assessed on any reporting corporation that fails to file Form 5472 when due.