

If your tenant skips out, let the IRS skip in!

Ok, picture the scariest thing in the world. (Other than a gang of Hell's Angels moving into your building.) It is a letter from the IRS, right? If you are anything like me, you have had it up to here with the "professional tenants" - those people who have the law figured out and know just how to get the most out of it, thereby stiffing you for (sometimes) many months of uncollected rent.

And then, just when you get them evicted (after a minimum of \$500 in legal fees, plus whatever additional time they manage to live in your unit without paying a nickel in rent) and you have a judgment of several thousand dollars, they disappear. You know your chances of collecting the judgment and/or unpaid rent are slim to none. In my 25 years of experience I have only collected one judgment and that was only after I programmed his employer's telephone number into my automatic dialer. Well, I finally got smart and found a way to make them pay (literally and figuratively).

Revenge can be sweet and this one is particularly tasty. The only drawback is that you won't be able to see their faces. Here is what you do - file a Form 1099-C with the IRS. This is a miscellaneous income statement called a "Cancellation of Debt." (Your chances of collecting the rent they owe you are just about nil anyway.) You are telling the IRS that they received income in the form of unpaid rent, a debt they owe to you. The best part is that if they have failed to declare this as income on their return (a snowball has a better chance in you-know-where than this has of happening), the simple act of your filing the 1099-C automatically triggers an IRS audit, or, at the very least, a letter from those friendly folks.

Just make sure you get their social security number when they submit their rental application and do your best to make sure it is a valid one. You need this bit of information to do a credit check anyway. You simply take a few minutes to fill out the form (supplied by the IRS), mail it to the last known address of the party involved and enjoy yourself. You also need to send a copy to the IRS and state computers. This should not have effect on your tax liability because you have not received the income and have charged off the legal expenses. (This is true in my case, but check with your tax consultant for your own situation).

I have verified this with both my tax consultant and the IRS. If you have any doubts or questions, just call our friends at the IRS at 800-263-9700. The forms are available from the IRS by calling 800-829-3676.

**by Norm Corwin, reprinted from Northwest Rental Owners Association*

Seven Ways to Become a Landlord Detective and Find Former Tenants

First use the information on their application:

1. Call the employer they listed and ask if they still work there. If not, ask if there is a forwarding phone number. Be sure to get the full name of the company and address if they are still employed.

2. Use the personal references and emergency contacts also listed on the application form. Call in the evening and politely ask if they will give you "Mr. Brown's new phone number." They may have it and give it to you. Be careful that you do not misrepresent your intentions, and you cannot harass anyone in attempting to get information on collecting your debt.

Once you use up the sources on the applications:

3. "Go Postal!" You can send a letter to their last known address and write "Address Forwarding Correction—Do Not Forward" on the outside of the envelope. Put your address on the envelope and the post office will send your letter back with the new address on the envelope.

4. You can also check internet white pages and email addresses with various search engines. You can use The Internet Sleuth at www.sleuth.com or Lycos People Find at www.lycos.com. You will be surprised at the people you can locate.

5. If they have returned to college, you can track them down through the alumni directory or the UT Austin web center at www.utexas.edu which has links to web sites of nearly every US college and university.

Next, let your fingers do the walking:

6. If you know the county where the person used to live, you can call the county courthouse and ask if your ex-tenant holds property in that county, if they are registered to vote or if they were married in that county. Finding out if they have married is especially helpful if you are trying to find a woman who may have changed her name through marriage.

7. If you find they are in the county, check with the water, garbage collector, power or cable companies. These utilities often require deposits and forward them to a new address when someone moves. Some will cooperate and give this information over the phone.

Or ca *WISDOM*

Q. What do bulletproof vests, fire escapes, windshield wipers, and laser printers all have in common?

A. All invented by women.

Some Provisions Which May Appear in Rental Agreements or Leases Are Not Legal And Cannot Be Enforced Under the Law

Some provisions which may appear in rental agreements or leases are not legal and cannot be enforced under the law. These include:

- A provision which waives any right given to tenants by the Landlord Tenant Act.
- A provision that tenants give up their right to defend themselves in court against a landlord's accusations.
- A provision which limits the landlord's liability in situations where the landlord would normally be responsible.
- A provision allowing the landlord to enter the rental unit without proper notice.
- A provision requiring a tenant to pay for all damage to the unit, even if it is not caused by tenants or their guests.
- A provision stating the tenant will pay the landlord's attorney's fees under any circumstances if a dispute goes to court.
- A provision that allows the landlord to seize a tenant's property if the tenant falls behind in rent.

Deposits and Other fees:

When a new tenant moves in, the landlord often collects money to cover such things as cleaning or damage. The money collected may be refundable or nonrefundable.

Refundable Deposits:

Under the Landlord-Tenant Act, the term "deposit" can only be applied to money which can be refunded to the tenant.

If a refundable deposit is being charged, the law requires:

- The rental agreement must be in writing. It must say what each deposit is for and what the tenant must do in order to get the money back.
- The tenant must be given a written receipt for each deposit.
- A checklist or statement describing the condition of the rental unit must be filled out. Landlord and tenant must sign it, and the tenant must be given a signed copy.
- The deposits must be placed in a trust account in a bank or escrow company. The tenant must be informed in writing where the deposits are being kept. Unless some other agreement has been made in writing, any interest earned by the deposit belongs to the landlord.

Nonrefundable Fees:

These will not be returned to the tenant under any circumstances. If a nonrefundable fee is being charged, the rental agreement must be in writing and must state that the fee will not be returned. A nonrefundable fee cannot legally be called a "deposit."

***Article taken from OnSite Magazine*

An Ounce of Prevention

Small businesses are more vulnerable to employee theft than large ones, and the most trusted employee should not be trusted, according to IROC members who've been victimized.

Here are a few sensible safeguards for apartment owners, particularly independent rental owners who often do not have the time to thoroughly investigate who they hire, computerize their accounting system or otherwise protect themselves against pilfering employees:

- Accept the fact that you are vulnerable to unsavory employees.
- Have strong internal controls and change them periodically.
- Buy fidelity bond or other insurance for all accounting and key employees to indemnify against theft and embezzlement.
- Require your employee(s) to take a vacation - it prevents embezzlement as it prevents one employee from having an extended, exclusive look at all the books
- Computerize the bookkeeping system and conduct periodic audits to create an audit trail. If you don't have time, hire an accountant. Surprise audits are preventive maintenance.
- Find a reputable company to conduct background searches; check past employment, criminal history, education and references of your employees. Doing it yourself may not be fail-safe.
- Have a written policy outlining employee responsibilities, standards of honesty, general security procedures and the consequences of infractions, and have your employees sign it, even as a condition of employment
- Watch out for suspicious behavior. Changes in an employee's lifestyle or office routine are red flags.
- Compare financial statements with preceding ones and study the change in accounts over time.
- Report internal theft to your local law enforcement agency.
- Listen for resident comments about potentially unusual relations with property management staff.
- Trust no one
- Raise consciousness about employee theft - talk about it with fellow apartment owners.

Oven Cleaning Made Easy!

Has cooking rendered your oven gooey? Here's how to clean it without a lot of effort. Pre-heat your oven to 200 degrees at bedtime. Then put a bowl of ammonia on the center rack, close the door and leave the kitchen exhaust fan on low. Next morning you'll find the ammonia has softened crusty spills and they'll wipe up easily with a damp rag. To clean gooey oven racks and barbecue grills, put them in a plastic trash bag with ammonia, seal with a twist tie and let them soak overnight. Next morning wash them in the tub or hose them off. Also, don't try to "protect" your oven by putting aluminum foil on the oven floor. It reflects and intensifies heat, which can cause the bake element to burn out prematurely. Foil under the foods on the racks traps heat in the bottom of the oven, keeping it from circulating and reaching the heat sensor. Severe overheating is possible.

