

ST13-06 Rent or Royalties on 1099-MISC

OUT OF SCOPE IF:

- Not gas or oil lease
- There are any expenses associated with this income
- Rent is for residential property
- Rent not reported on 1099-MISC
- Income relates to a Qualified Joint Venture
- Income is from a state (other than NJ) which requires a state return to be filed if there is income from that state (e.g. NY, CA)

For Royalties reported on K-1 see ST13-05 K-1 Income Entry.

A rent or royalty from a gas or oil lease reported on a 1099-MISC box 1 or 2 is entered into TWO as follows:

1. Add Sch E page 1 to the forms tree
2. Open Sch E
3. Answer question A as "No". (If the answer is other than no, it is OUT OF SCOPE)
4. Complete line 1A of Sch E. Use content sensitive help or Sch E instructions as required.
Type = 6 for Royalties; Type = 5 for Rent
Fair Rental Days (Type 5 Only) = 365 unless taxpayer has other information.
Personal Use Days (Type 5 Only) = 0 unless taxpayer has no information
QJV = Do NOT Check this Box (Qualified Joint Venture is OUT OF SCOPE)
5. Link from line 3 (Rent) or 4 (Royalty) of Sch E to a new 1099-MISC.
6. Complete the 1099-MISC.
 - If MFJ, select Taxpayer or Spouse.
 - Enter the amounts shown in box 1 or 2 of the taxpayer's 1099-MISC into box 1 or 2 of the TWO 1099-MISC linked to the Sch E.
 - Complete the Payers EIN, name and address on the 1099-MISC.
 - Select Parent Property by right clicking on the red box next to parent property at the top of the form, and select the correct address (A, B, or C) from the drop down menu.
The Parent Property drop down information comes from Sch E.
7. For Rent (Type = 5) complete the red box question on Sch E "Did you actively participate in the rental activity during 2010" The answer here should be NO. If YES the situation may be OUT OF SCOPE.
8. Check to see if TWO transferred the amount from Sch E to line 17 of form the 1040.

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Sample Sch E

US Schedule E

Supplemental Income and Loss

2013

Name: SUE GIANT

SSN: 888-03-0752

Part I: Income or Loss From Rental Real Estate and Royalties

Note: If you are in the business of renting personal property, use Schedule C. Report farm rental income or loss from Form 4835 on page 2, line 40.

- A** Did you make any payments in 2012 that would require you to file Form(s) 1099?
See instructions Yes No
- B** If "Yes", did you or will you file all required Forms 1099? Yes No

Step 3

* K-1 royalty information transfers to column C of lines 1 and 3b.
State income is allocated based on the state listed in the address section below.
If any of these properties are part-year rental, part rental and part personal, such as a duplex, or a personal use unit, such as a vacation home, F9 on the "Address" field, A or B, to use a worksheet.

For each rental real estate property listed, report the number of fair rental and personal use days. Check the QJV box only if you meet the requirements to file as a joint qualified venture. See instructions.

- ** Allowable codes for type of property
- | | | | |
|---------------------------|---------------------------------|-------------|---------------|
| 1 Single family residence | 3 Vacation or short-term rental | 5 Land | 7 Self-rental |
| 2 Multi-family residence | 4 Commercial | 6 Royalties | 8 Other |

If type 8, enter a description for

Property A Property B
Property C

1	Address	TSJ	** Type	Fair rental days	Personal use days	QJV
A	<u>210 CRUDE WAY</u> <u>76701- TX WACO</u>	<u>T</u>	<u>6</u>	<u>0</u>	<u>0</u>	<input type="checkbox"/>
B	<input style="width: 100%;" type="text"/>	<input type="checkbox"/>	<input type="checkbox"/>	<u>0</u>	<u>0</u>	<input type="checkbox"/>
*C	<input style="width: 100%; background-color: #0070c0; color: white;" type="text"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<u>0</u>	<u>0</u>	<input type="checkbox"/>

Step 4- Use content sensitive help

Income

		Properties		
F9 to 1099-Misc on line 3 or 4		A	B	C
3	Rents received	<u>0</u>	<u>0</u>	<u>0</u>
4	Royalties received	<u>750</u>	<u>0</u>	<u>0</u>

Step 5- Link to 1099-Misc box 3 or 4 as appropriate

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Sample Sch E Continued

Worksheet for At-Risk Limitation and Rental Activities			
Check, if some investment is not at-risk	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
At-risk limitation	0	0	0
Nondeductible amount due to at-risk	0	0	0
Check if you were a real estate professional for 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Did you actively participate in the rental activity during 2012?	Yes <input type="radio"/> No <input checked="" type="radio"/>	Yes <input type="radio"/> No <input type="radio"/>	Yes <input type="radio"/> No <input type="radio"/>
Net after at-risk limitation	750	0	0
Prior year loss carryforward	0	0	0
Overall gain or loss	750	0	0
Carryforward loss to 2013	0	0	0
Check if the property was sold in 2012	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Net gain or loss from the sale	0	0	0
Overall gain or loss from the sale	0	0	0
AMT net income or loss	750	0	0
Prior year AMT unallowed loss	0	0	0

Step 7

Sample 1099-MISC

US 1099-MISC	Miscellaneous Income	2013	
This 1099M worksheet is for the: <input checked="" type="radio"/> Taxpayer <input type="radio"/> Spouse			
If Schedule E income, select parent property		(A) 210 CRUDE WAY	
Payer's information FIN: 21-6030752 or SSN: _____	1 Rent 0	2 Royalties 750	
Name OIL INVESTMENTS	3 Other income 0	4 Federal withholding 0	
Street address 24 BLACK GOLD WAY	5 Fishing boat proceeds 0	6 Medical payments 0	
Zip code, city, and state 75028- FLOWER MOUND TX	7 Nonemployee compensation 0	8 Substitute payments in lieu of dividends or interest 0	
Recipient's identification number: 888-03-0752			

Step 6 – Complete: TP/SP, boxes 1 or 2 and payer information.

Step 6 - Select parent property. Click and select from dropdown.