



Omsai com LLC

One Stop Solutions for Small Businesses and Communities

LETTER OF EXPLANATION:RENTAL LOSSES

Please see the Schedule E for rental properties. Generally due to depreciation taken each year, on schedule E, it show as rental losses. When one is not active real estate agent, he cannot take the rental losses on his taxes, which are carried forward each year, until the properties are sold.

Items on schedule E

| S.No | Description | Details |
|------|---------------------------|---|
| 1 | Depreciation | Depreciation generally creates a passive loss, which keeps accumulating each year and show in Prior unallowed loss on next year Schedule E. |
| 2 | Prior Year Unallowed Loss | Depreciation and other items generally creates a passive loss, which keeps accumulating each year and show in Prior unallowed loss on next year Schedule E. |

See example below

Form 990-B (2019) Rental Income and Expenses

| Line | Description | Amount |
|------|--|-----------|
| 1 | Gross rental income | 2,330.00 |
| 2 | Expenses | |
| 3 | Advertising | |
| 4 | Auto and travel (see instructions) | |
| 5 | Cleaning and maintenance | |
| 6 | Commissions | |
| 7 | Insurance | 502.00 |
| 8 | Legal and other professional fees | |
| 9 | Management fees | 1,280.00 |
| 10 | Mortgage interest paid to banks, etc. (see instructions) | 6,070.00 |
| 11 | Other interest | |
| 12 | Repairs | 1,575.00 |
| 13 | Supplies | |
| 14 | Taxes | 4,395.00 |
| 15 | Utilities | |
| 16 | Depreciation on rental property | 1,381.77 |
| 17 | Net rental income (loss) | 2,048.23 |
| 18 | Net rental income (loss) after depreciation | 666.46 |
| 19 | Subtract line 18 from line 17 (enter 0 if negative) | |
| 20 | Subtract line 18 from line 17 (enter 0 if negative) | |
| 21 | Subtract line 18 from line 17 (enter 0 if negative) | -3,585.56 |
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| Form 8582 (2018) | | Page | | |
|--|---|---------------------|--------------------|------------------|
| Worksheet 6 -- Allowed Losses (See instructions.) | | | | |
| Name of activity | Form or schedule and line number to be reported on (see instructions) | (a) Loss | (b) Unallowed loss | (c) Allowed loss |
| 22675 HIGH HAVEN TER | SCHEDULE E | 25858 | 25858 | |
| | | | | |
| | | | | |
| | | | | |
| Total | | 25858 | 25858 | |
| Worksheet 7 -- Activities With Losses Reported on Two or More Forms or Schedules (See instructions.) | | | | |
| Name of activity | | Cell Identification | | |

As per FNMA guidelines, passive losses can be ignored in rental properties. Please check with your lender guidelines. The information above is just provided for reference.