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Dearborn, Michigan 48128

Volume 30

February 2014

Number 1

NEXT MEETING

TUESDAY FEBRUARY 4, 2014

NETWORKING & DINNER

RED LOBSTER

13999 Eureka Rd • SOUTHGATE

Next to 7-11, near Trenton Rd.

6:00 - 7:15 Dinner and Networking

7:30 Meeting

SPEAKER/TOPIC

Jeffry A. Campeau, CPA/ABV

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Jeffry will be talking on "Current Income Tax and Accounting Issues for Real Estate Investors".

He will do an outstanding job of bringing everyone up to date.

For Any Questions Please Call:

Wayde Koehler, President 313-819-0919

Welcome

GUESTS & MEMBERS

Matt Bezanson
Noel Selewski
Leonard Ray
Christian Mooradian

**YOU ARE INVITED TO THE MONTHLY
INVESTOR GET-TOGETHER!**

**Hosted by our
Vice President Bill Beddoes**

**3RD TUESDAY MEETING
FEBRUARY 18, 2014**

**WHEN 3rd Tuesday of the month
From 6pm to 9pm**

Join us for a casual evening with like-minded individuals to share your stories, discuss your issues and learn more about our investing community!

No admittance fee, just make sure you pay for your food. :)

We hope to see many of you there, and feel free to bring a friend or two.

For more info contact:

Bobbi 734-946-6280 or Bill 734-934-9091

Membership Application

New Member () Renewal ()

ANNUAL DUES Family — \$125.00 - (One Address — 2 People)

Single meeting fee for non-members is \$20.00 per person, which will be applied to the annual dues if you join the next month.

(we hope this will encourage people to join)

Fill Out Form and Mail or Fax to: R.E.I.A. • P.O. Box 5341 • Dearborn, Michigan 48128

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FOR RENEWING MEMBERS: Any questions/comments on how to better our organization??

NEXT MEETINGS

MONTHLY MEETING

- Tuesday February 4, 2014
- Tuesday March 4, 2014

INVESTOR GET-TOGETHER — FEB 18TH

BOARD OF DIRECTORS

- Tuesday February 11, 2014
- Tuesday March 11, 2014

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**This newsletter is warranted to be free
from defects but NOT Guaranteed!!**

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Tax Deductions for Rental Homes

While being a landlord certainly has its cons, tops among its pros are the tax deductions for rental homes enjoyed by owners.

Maintaining a rental property typically requires a commitment of about four hours per week.

From finding tenants to fixing faucets, renting out a home can be a lot of work. Yet perhaps the biggest reward for being a landlord isn't the rent checks, but rather the considerable tax deductions for rental homes. The tax code permits most owners of residential rental properties to offset income by writing off numerous rental home expenses. IRS Publication 527, "Residential Rental Property," has all the details. IRS Publication 910, "Guide to Free Tax Services," has a complete list of publications on such topics as selling your home and business use of your home.

Writing off rental home expenses

Many rental home expenses are tax deductible. Save receipts and any other documentation, and take the deductions on Schedule E. Figure you'll spend four hours a week, on average, maintaining a rental property, including recordkeeping. Here are some of the most common deductible expenses for rental homes, according to the IRS. You can usually take these write-offs even if the rental home is vacant temporarily. In general, claim the deductions for the year in which you pay for the expenses:

- Advertising*
- Cleaning and maintenance*
- Commissions paid to rental agents*
- Home owner association/condo dues*
- Insurance premiums*
- Legal fees*
- Mortgage interest*
- Taxes*
- Utilities*

Less obvious deductions include expenses to obtain a mortgage, and fees charged by an accountant to prepare your Schedule E. And don't forget that a rental home can even be a houseboat or trailer, as long as there are sleeping, cooking, and bathroom facilities. Moreover, the location of the rental home doesn't matter. It could even be outside the United States.

Limits on travel expenses

You can deduct expenses related to traveling locally to a rental home for such activities as showing it, collecting rent, or doing maintenance. If you use your own car, you can claim the standard mileage rate, plus tolls and parking. For 2012, it was 55.5 cents per mile. For 2013, it is 56.5 cents per mile. Traveling outside your local area to a rental home is another matter. You can write off the expenses if the purpose of the trip is to collect rent or, in the words of the IRS, "manage, conserve, or maintain" the property. If you mix business with pleasure during the trip, you can only deduct the portion of expenses that directly relates to rental activities.

Repairs vs. improvements

Another area that requires rental home owners to tread carefully is repairs vs. improvements. The tax code lets you write off repairs—any fixes that keep your property in working condition—immediately as you would other expenses. The costs of improvements that add value to a rental property or extend its life must instead be depreciated over several years. (More on depreciation below.) Think of it this way: Simply replacing a broken window pane counts as a repair, but replacing all of the windows in your rental home counts as an improvement. Patching a roof leak is a repair; re-shingling the entire roof is an improvement. You get the picture.

Deciphering depreciation

Depreciation refers to the value of property that's lost over time due to wear and tear. In the case of improvements to a rental home, you can deduct a portion of that lost value every year over a set number of years. Carpeting and appliances in a rental home, for example, are usually depreciated over five years. You can begin depreciating the value of the entire rental property as soon as the rental home is ready for tenants, even if you don't yet have any. In general, you depreciate the value of the home itself (but not the portion of the cost attributable to land) over 27.5 years. You'll have to stop depreciating once you recover your cost or you stop renting out the home, whichever comes first. Depreciation is a valuable tax break, but the calculations can be tricky and the exceptions many. Read IRS Publication 946, "How to Depreciate Property," for additional information, and use Form 4562 come tax time. You may need to consult a tax adviser. *(continued next page)*

- Profits and losses on rental homes)

(continued from Tax Deductions for Rental Homes)

Profits and losses on rental homes

The rent you collect from your tenant every month counts as income. You offset that income, and lower your tax bill, by deducting your rental home expenses including depreciation. If, for example, you received \$9,600 rent during the year and had expenses of \$4,200, then your taxable rental income would be \$5,400 (\$9,600 in rent minus \$4,200 in expenses). You can even write off a loss on a rental home as long as you meet income requirements, own at least 10% of the property, and actively participate in the rental of the home. Active participation in a rental is as simple as placing ads, setting rents, or screening prospective tenants. If you're married filing jointly and your modified adjusted gross income (same as adjusted gross income for most persons) is \$100,000 or less, you can deduct up to \$25,000 in rental losses. The deduction for losses gradually phases out between income of \$100,000 and \$150,000. You may be able to carry forward excess losses to future years.

Let's say that for the year rental receipts are \$12,000 and expenses total \$15,000, resulting in a \$3,000 loss. If your modified adjusted gross income is below \$100,000, you can deduct the full \$3,000 loss. If you're in a 25% tax bracket, a \$3,000 loss reduces your tax bill by \$750, plus any applicable state income taxes.

Tax rules for vacation homes

If you have a vacation home that's mostly reserved for personal use but rented out for up to 14 days a year, you won't have to pay taxes on the rental income. Some expenses are deductible, though the personal use of the home limits deductions. The tax picture gets more complicated when in the same year you make personal use of your vacation home and rent it out for more than 14 days. Read our story about tax deductions for vacation homes for an explanation.

This article provides general information about tax laws and consequences, but shouldn't be relied upon as tax or legal advice applicable to particular transactions or circumstances. Consult a tax professional for such advice.

Donna Fuscaldo

has written about personal finance for more than decade for Dow Jones Newswires, the Wall Street Journal, and Fox Business News. She's currently a freelance writer with her own home office.

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— WEB SITE CORNER —

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Next to 7-11, near Trenton Rd.
6:00 - 7:15 ... Dinner and Networking
7:30 - Meeting — (\$20.⁰⁰ FOR GUESTS)

EAA gambling with our children's future

By Steven Norton

What grade would you give a school district that:

- Lost 25% of its students in just one year?
- Has a financial audit that says the district hasn't kept its books in a way that it can effectively tell what it has spent?
- Has seen constant teacher turnover, including the hiring of 40 new teachers in September, after school had started?
- Borrowed money from the Detroit Public Schools - a district that, itself, is running a huge deficit?

Most of us would give this district an F and prepare to close it down. But if you are Gov. Rick Snyder and State Superintendent Mike Flanagan, you hand over thousands of more students to this experiment in education.

The district described above is what public records show is happening at the Educational Achievement Authority. It's very different than the cultivated image that Snyder and Flanagan offered to the state as they tried to jam through legislation without public hearings in the final days of the legislative session.

The recent news that nearly 1 in 4 parents is pulling children out of the EAA, reducing its enrollment by thousands of students, shows that the very group the EAA was purported to help sees it as a failure.

But Flanagan says he is committed to pulling even more schools away from their local school districts, where they are accountable to locally elected officials, and dumping them into the EAA.

The motivation behind this expansion seems clear: The EAA needs more students and schools to cover its overhead.

The EAA's financial troubles come even after it has been handed millions of dollars not available to local schools around the state, including \$10 million from money received from banks involved with mortgage shenanigans and millions from the Michigan Education Excellence Fund.

Achievement is impossible to monitor so far. The EAA has its own internal measures. But measurement on the Michigan Education Assessment Program (MEAP) tests is not yet available. And given the massive churn of students, it's not clear that it would be useful, because we would be measuring two very different cohorts of children.

If the Michigan Senate really cares about improving education achievement, it should ditch the governor's one-size-fits-all EAA, look at each troubled school individually, and conduct a comprehensive educational audit of critical, research-based factors to determine specific, data-driven and unique local school needs and requirements.

It should work with the school district to develop a transparent detailed school-based action plan of improvement designed by local school leadership, teaching staff, other educational experts and community stakeholders.

And the Michigan Department of Education should provide comprehensive technical assistance, resources and monitoring of local school turnaround action plans. Such a solution would be less costly than the EAA, would have the support and trust of local parents, and would be measurable using the same testing protocols other schools are using around the state.

Steven Norton is executive director of the group Michigan Parents for Public Schools

Reprinted from The Detroit Free Press

& submitted by Wayne Koehler, Pres. R.E.I.A. of Wayne Co

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Section 8 Questions???
Call Jane Scarlett

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jscarlett@waynemetro.org

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05/14

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Opting for fast cash is in our nature, not saving for future

Susan Tompor looks at Lessons Teachers are imparting

Ken Krause, who teaches business and marketing at Fitzgerald High School in Warren, regularly asks his students whether they'd take \$100 now or wait one full year to double their money and receive \$200.

What do you think those high school students say? I bet many of us can predict the answer Krause most frequently receives. Take that single Benjamin right now and run. Like many adults who say take Social Security benefits right at age 62, and don't even consider delaying to receive a larger monthly payout down the road, many students opt for the fast cash.

Fortunately, Krause is not handing out big bills as part of his mission to bring personal finance literacy to high school students. But his story does illustrate one of the challenges of managing money - the basic urge to grab what you can, while you can and not manage too far into the future.

The Michigan JumpStart Coalition, a group that promotes personal financial literacy in schools, held a conference in Detroit for teachers and other educators in the community last week. Sponsors included Ford Motor Credit, State Farm and the Federal Reserve Bank of Chicago-Detroit Branch.

Teachers shared their ideas on how to mix personal finance into some courses, such as economics. Kathryn Lloyd Gustafson, who teaches economics courses at Farmington High School, works parables from "The Richest Man in Babylon," a book by George S. Clason, into the mix. She focuses on the "Seven Cures for a Lean Purse" and students consider the idea of saving 10% upfront, even when all you want to do is spend every dime you make and more.

As part of the project, students have designed brochures to explain concepts. One group showed how you can save a slice of pizza for later instead of eating the entire pie right now.

Such lessons, while they might seem simple, give students a chance to actually take time to consider how they're going to allocate their resources.

Marilyn Capelli Dimitroff, director of wealth management and principal at Planning Alternatives in Bloomfield Hills, said many of us are not naturally wired to be good savers or investors. She told the teachers that investors can be overconfident that they know the outcome of things ahead, say that all tech stocks will forever double in value?

Or some of us are so afraid of losing any money that we do not take any risk and lose out on a chance to build more savings.

And then, Dimitroff said there's the "mental accounting. "

People who win \$1,000 at a casino tend to be more willing to splurge than someone who earned \$1,000 at a job. Someone who gets a \$1,000 tax refund could be more willing to quickly spend all that money, too.

(Continued from Opting for Fast Cash)

But in the end, that \$1,000 remains \$1,000. It's not different because it's money from a tax refund, casino winnings or earnings.

What is the harm in getting \$100 now instead of waiting for more money later or eating the entire pizza when it's hot?

No harm, maybe, if one never hits a financial snag.

But know that layoffs can hit, financial markets can collapse and plenty else can cash flow and mess up your cash influence how soon you could afford another \$5 pizza.

LaDonna Cook, a financial counselor at GreenPath Debt Solutions, a nonprofit credit counseling group based in Farmington Hills, told the group that some of the root causes for financial hardship include a job loss, reduction in pay, higher medical bills, divorce and bad financial habits.

The bad financial habits include borrowing too much money on credit cards, loaning or giving money to help family and friends, and a lack of savings.

Only adult problems? Hardly. Such financial traps await college students, too.

Jennifer Wallace, an outreach manager for financial aid programs for the Michigan Education Trust, said many people want what they want now.

Wallace told the teachers at the JumpStart event that she went "way down on the list of grandmas" when she bought her newborn grandchild a prepaid MET contract to cover college tuition in the future. The baby's parents wanted baby furniture now.

Many grandparents, of course, see the advantage of setting some money aside for bigger bills like college tuition, Wallace said.

"We don't want these children knocking at our door wanting our retirement funds."

Reprinted from The Detroit Free Press

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See page 18 for details

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Resident sentenced for demolishing warehouse without removing asbestos

By Joe Slezak Press & Guide Newspapers

DETROIT - A man who authorities said took a shortcut while demolishing a warehouse in Dearborn last year has landed in federal prison.

Khalil Mahmoud Saad, 40, of Dearborn was sentenced to 14 months in federal prison Tuesday by U.S. District Judge Paul Borman for violating the Clean Air Act.

Saad was hired in November 2011 to demolish a vacant commercial warehouse at 10401 Ford Road, just west of Wyoming, and dispose of the debris. He hired an asbestos consultant who identified more than 1,000 linear feet of pipe insulation that contained asbestos and more of the same on a large boiler.

Federal law says that asbestos must be properly removed before any activity that would break up, dislodge or otherwise disturb it.

Authorities said Saad hired workers in April 2012 to tear down the building and didn't wet the asbestos so it wouldn't go into the air

"Exposure to asbestos can lead to serious, even fatal, diseases, and unsafe asbestos removal and demolition practices put the health of both the workers and the public at risk," said Randall Ashe, special agent in charge of the U.S. Environmental Protection Agency's criminal investigation division in Chicago. "For that reason, it is critical that those in charge of demolition operations strictly comply with the federal asbestos laws. The defendant chose to ignore those legal requirements, potentially putting others at risk."

According to the EPA, asbestos had been used in a variety of building construction materials for insulation and as a fire retardant, Three of the major health effects associated with asbestos exposure are lung cancer; mesothelioma, a rare form of cancer that is found in the thin lining of the lung, chest, abdomen and heart; and asbestosis, a serious progressive, long-term, noncancerous disease of the lungs.

Contact Staff Writer Joe Slezak at
jslezak@heritage.com.
Follow him on Twitter @ JoeSlezakI.

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VIRTUAL CURRENCY FINDS SOME REAL USES

Growing number of Michigan retailers are accepting bitcoin

By JC Reindl and Frank Witsil - Detroit Free Press Business Writers

You can buy a three-inch-thick corned beef sandwich at the Bronx Deli in Farmington Hills for \$10.59, cash or credit card - and now, 0.01323 bitcoin.

A small, but growing, number of Michigan retailers are accepting bitcoin, a digital currency that is only about five years old.

Unlike coins that jangle in your pocket, bitcoins exist only on the Internet.

They are not backed by government fiat and their market value fluctuates. On Friday, one bitcoin was valued between \$794 and \$839, according to the CoinDesk Bitcoin Price Index. Transactions are recorded in an electronic log.

In the U.S., bitcoins have been popular among tech enthusiasts and libertarian-minded critics of the Federal Reserve.

Twelve million bitcoins exist and 25 new ones are digitally mined every 10 minutes, although no more than 21 million can ever be created. People also can buy them through a bitcoin exchange and spend them using a computer app.

Merchants such as the Bronx Deli see the high-tech payment method as a way to stand out, generate a few additional sales and avoid credit card transaction fees. They still charge customers sales taxes. Despite some early controversy, they are willing to give it a try.

Bronx Deli co-owner Leonard Mazzola Jr. said he learned about bitcoin from news reports and a friend in the computer industry. Since November, when his Farmington Hills and Pontiac locations started accepting the currency, he said he has done about 30 bitcoin transactions.

Many of those customers, he said, sought his deli so they could spend their bitcoin there.

"I think every single one of them who's come in had never been here before," Mazzola said.

GROWING ACCEPTANCE

At least 10 Michigan businesses and organizations accept the currency, including a hardware store in Hazel Park, a think tank in Grand Rapids, a martial arts dojo in Kalamazoo and a private-practice lawyer in Ypsilanti.

Worldwide, more than 2,200 businesses now accept them as payment, according to CoinMap, a website that tracks such businesses.

At Tony's Ace Hardware in Hazel Park, co-owner Matthew Abramsky was curious to see whether the new currency would attract new business. Since beginning the experiment a few weeks ago, his store has sold a hammer and some trash bags for about \$40 worth of bitcoin.

Both transactions involved customers who came in specifically to spend their bitcoin.

"People who are into it are passionate about it and want to use it," Abramsky said.

(Continued Next Page - A Cloudy Past)



Leonard Mazzola Jr., at the Bronx Deli in Farmington Hills, says of bitcoin "Doesn't your 401(k) fluctuate?" KIMBERLY P. MITCHELL/DFP

(Continued from Virtual Currency)

'A CLOUDY PAST'

Retailers also welcome fee-free bitcoin payments because they avoid the typical 2.5% to 3.5% transaction charges for credit card transactions.

Websites have cropped up that allow people to buy bitcoin using dollars and cash-out bitcoin into dollars. The cashing out part is crucial for businesses, which need regular currency to meet payroll and pay bills.

The nonprofit Acton Institute in Grand Rapids, a religious and freemarket think tank, said it began accepting bitcoin last month because credit card transactions are hard to do in some countries. The institute says bitcoin is shedding the stigma it gained early on as a currency for black market deals and drugs.

"The currency has got somewhat of a cloudy past," said John Couretas, the institute's director of communications, acknowledging some of the controversy surrounding bitcoin. "But it seems to be getting traction in legitimate e-commerce circles."

Justin Altman, a general practice attorney who accepts bitcoin, said he thinks the currency will continue gaining popularity.

A libertarian who ran for Washtenaw County prosecutor, the 32-year-old Ypsilanti lawyer said he has yet to encounter any bitcoin-paying clients. But he likes the idea behind the currency and has high hopes for it as a legitimate form of payment.

"Right now it's a small market, but I wanted people to know that there is a market," he said. "You can always see where it came from and where it's going and you can't duplicate transactions. So for me, it would be more accountable than someone coming in with an envelope of, say, a \$1,000."

'ALWAYS DOUBTERS'

Still, bitcoin has its skeptics and critics.

Nobel prize-winning columnist Paul Krugman last week wrote in the New York Times that he is "deeply unconvinced" that bitcoin will work as a currency and former Federal Reserve chairman Alan Greenspan has called it "a bubble."

In November, it hit a peak of \$1,124.76 per coin, but tumbled after China's central bank decided in December to prohibit that country's financial institutions from handling bitcoin transactions.

Consumers and speculators who rushed in to bitcoin this fall face a big disappointment should the currency's exchange value continue to collapse.

Mazzola, the deli owner, said he is willing to accept the volatile exchange rate and understands that his bitcoin customers are paying a different amount every day.

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Bitcoin Q+A

Bitcoin is a digital currency - a form of Internet cash - that was introduced in 2009.

But it isn't printed, like a dollar. It's a form of money called cryptocurrency. Transactions are made by updating a log, but there's no exchange of tokens. Buyers and sellers are identified through ID numbers, and bitcoin can be used to buy goods and services.

While bitcoin use is limited, an increasing number of merchants are accepting them as payment.

Here is a brief question and answer:

QUESTION: How does bitcoin work?

ANSWER: Bitcoin works like a mobile app that uses a virtual wallet to send and receive the currency. A network - essentially a public ledger called the block chain - records transactions.

Q: How do I get bitcoin?

A: You start by downloading a bitcoin wallet, such as Multibit.org or Bitcoin Wallet (for Android), to help manage it. Next, you can get bitcoin by accepting them as payment or by buying them from a friend. You can also buy bitcoin from an exchange (Teambitcoin.com offers one list of exchanges, for example) with a bank account.

Q: Who makes bitcoin?

A: Bitcoins are created through a system called mining. A miner makes bitcoin using software to solve math problems that help verify bitcoin transfers and, in exchange, are issued a certain number of bitcoin. Some miners have formed groups and divide up the bitcoin they mine.

Q: How can I spend bitcoin?

A: People can send bitcoin to and from each other through apps, and they can buy directly from retailers or through an online network of retailers that accepts bitcoin. In addition, companies have developed bitcoin ATMs that exchange bitcoin for cash and vice versa. A few of these ATMs are being installed in selected locations worldwide.

Q: Why are bitcoins controversial?

A: Bitcoin has been criticized by some economists as unsustainable and a bubble. Authorities say bitcoin has been linked to a Ponzi scheme in Texas, and, partly because it is like cash with seemingly more anonymity, it also has been used on online black markets to buy and sell narcotics and to launder money. In December, China's central bank banned financial institutions from dealing with them, which led the price of bitcoin to drop by about 50%

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PLACES THAT ACCEPT BITCOIN

CoinMap, a website that tracks merchants and firms worldwide that take Bitcoin payments, identifies eight places in Michigan:

- Altman and Associates, Ypsilanti; 734-845-9734
- Bronx Deli, 247 S. Telegraph, Pontiac, 248-681-5555
- Bronx Deli, 37580 W. 12 Mile, Farmington Hills; 248-893-7587
- DeCommer Fine Art, Grand Avenue Northeast 12, Grand Rapids, 616-780-3814
- Lightning Kicks Martial Arts, Miffs Street 826, Kalamazoo; 269-383-2610
- Michigan Hot Glass, 1604 Clay St., Detroit, 313-871-1798
- Private Internet Access, 2885 Sanford Ave. SW, Grandville
- Tony's Ace Hardware, 24011 John R., Hazel Park; 248-541-8790
- Saturn Printing, 35175 Plymouth Rd., Livonia; 734-427-2887