



Changing a Unit's Ledger

Property Management Solutions for Over 30 Years

Overview

This section covers the situations where a unit is sold or transferred to a new owner and where the percentage of ownership of a unit changes. In most cases, the old owner is responsible for 1099 income prior to the ownership change date and the old owner needs a financial statement for tax purposes.

See also: [Tenant Moves to New Unit #242](#)
[Changing a Unit's Ledger from Owner to Property #266](#)

Several things must be taken into account when a unit changes ownership, including outstanding charges against the tenant, outstanding invoices, rent money paid to the wrong ledger, and security deposits.

There are several options, depending on the circumstances.

A. The cleanest procedure is to start fresh with the new owner.

Create a new owner, property, unit and tenant profile per the circumstances of the new ownership. Determine the cutoff date for transfer of ownership.

Step 1

Use the procedure for Tenant Moves to a New Unit – Different Ledger (owner or property).

Step 2

Print a Unit Report, Cash Flow Summary (version 6) or Unit Activity Summary (version 12) limited to the unit, with a date range from the beginning of transactions through the day prior to the transfer. Print the same report starting with the transfer date through today's date.

Determine the amounts for each income and expense that belong to the new owner's ledger. Do a journal transfer to adjust the ledgers.

B. Let new owner take over the unit and tenant history.

This should only be used if there are no unpaid charges due to the old owner and the old owner has no unpaid invoices. This has the advantage of keeping the unit and tenant history intact, but the disadvantage of combining the old and new owner ledger transactions.

If the unit is owned by a property ledger instead of an owner ledger, see Section C.

1. Print year-to-date detailed and summary statements for the old owner.
2. Select the owner (old) profile from the Find List. Make note of the ID and Long Description, then change the ID and Long Description to match the new owner. Don't change the rest of the information yet. Save. ***If you are using HeroPM to upload statements, changing the ID will delete the old ID (owner) and their statements from HeroPM. If you want to maintain that history, don't change the ID, just the long description.***
3. On the Find List, with that owner profile highlighted, click on <<Create a new profile from the Selected Profile>>. Change the ID and Long Description to what they were for the old owner. The rest of the information will still belong to the old owner. Save.
4. Go back to the modified profile and change it to contain the new owner information. It still retains the history and pointers that belonged to that profile. All charges are now owed to the new owner.
5. To adjust tax information on both owners, do a journal transfer. First determine the amount of rent that came in during the tax year for the old owner. Use a date of a day before the ownership transfer. The net change to each ledger is zero.

Go to GL, Journal Transfer. Select the bank account. Enter the following line items, where Amount = year-to-date taxable income (see screen shots below):

- First line item Account = rent
 Ledger is old owner
 Amount
- Second line item Account = rent
 Ledger is new owner
 Amount is negative
- Third line item Account = miscellaneous income*
 Ledger is old owner
 Amount is negative
- Fourth line item Account = miscellaneous income
 Ledger is new owner
 Amount

Note: Line items 1 and 2 transfer the total rent amount received by the old owner to his new ledger. Line items 3 and 4 cause the net effect of that transfer to be zero.

* *Make sure miscellaneous income has an Account Type of income or other income.*

C. Unit is owned by a property ledger

1. Print year-to-date detailed and summary statements for the old owner.
2. Go into the Property profile and change the owner from the old owner to the new owner.
3. To adjust tax information on both owners, do a journal transfer. First determine the amount of rent that came in during the tax year for the old owner. Use a date of a day before the ownership transfer. The net change to each ledger is zero.

Go to GL, Journal Transfer. Select the bank account. Enter the following line items, where Amount = year-to-date taxable income:

- First line item Account = rent
 Ledger is old owner
 Amount
- Second line item Account = rent
 Ledger is new owner
 Amount is negative
- Third line item Account = miscellaneous income*
 Ledger is old owner
 Amount is negative
- Fourth line item Account = miscellaneous income
 Ledger is new owner
 Amount

Note: Line items 1 and 2 transfer the total rent amount received by the old owner to his new ledger. Line items 3 and 4 cause the net effect of that transfer to be zero.

Account and Ledger	Debit or Credit	Amount
RENT: Rent	Credit	\$12,000.00
PORACH: Old Owner		
RENT: Rent	Credit	(\$12,000.00)
WELLS D: New Owner		
MISC INC: Miscellaneous Income	Credit	(\$12,000.00)
PORACH: Old Owner		
MISC INC: Miscellaneous Income	Credit	\$12,000.00
WELLS D: New Owner [Owner]		

D. Go to Unit profile and point to new owner.

This should only be used if there are no unpaid charges due to the old owner and the old owner has no unpaid invoices. This has the advantage of keeping the tenant history and the old owner's transactions and starting fresh with the new owner. However, if you don't find out about the transfer for several months then there will be transactions in the old owner ledger that belong to the new owner.

1. Go into the Unit Profile. Click the button that says Change Ledger. Say OK to the warning message.

The screenshot shows the 'Unit Profile' for '327 Cedar Lane'. The 'Ledger' field is highlighted in cyan and set to 'GOLDEN: Harrison S. Golden [Owner]'. A red arrow points to the 'Change Ledger' button. The 'Rent' field is set to '\$690.00'. The 'Market Rent' field is also set to '\$690.00'. The 'On Collected' field is set to '\$69.00'. The 'Unit Type' is 'SFR: Single Family'. The 'Mgmt Fee' is '10% A: Percent of Actual'. The 'Manager' is 'FRITZ: Halfacre'. The 'Address' is '327 Cedar Lane, Vienna, VA 22181'. The 'Rental Information' section includes 'Market Rent: \$690.00', 'Square Footage', 'Sq Ft Percentage', and 'CAM Percentage'. The 'Fee Summary' section includes 'On Collected: \$69.00', 'Not On Collected', 'When Vacant', and 'Owner % Late Fee'.

Then click into the ledger field and change it to the new owner.

2. Move the security deposit from the old owner ledger to the new owner.
The amount of money showing in the GL History for the old and new owners will not change until you do the journal transfer.
Go to GL, Journal Transfer.
Choose the bank where the security deposit money is held.
 - First line item Account = Deposit: Security Deposit
 Ledger is old owner
 Amount is negative
 - Second line item Account = Deposit: Security Deposit
 Ledger is new owner
 Amount is positive

Journal Transfer

Date: 8/12/2019

Reference: Journal Transfer

Bank: ESCROW: Bank Account Escrow

Memo:

Comment:

Cash
 Accrual
 Modified Cash

Credits: \$900.00

Debits: \$900.00

In Balance:

Account and Ledger	Debit or Credit	Amount
DEPOSIT: Security Deposit	Credit	(\$900.00)
CLAYTON: Old Owner		
DEPOSIT: Security Deposit	Credit	\$900.00
FISCELLA: New Owner [Owner]		