



Tax on Management Fees

Property Management Solutions for Over 30 Years

Overview

This document covers two ways to take a tax on management fees.

There are two scenarios for paying a tax on management fees:

1. You take your normal management fee from the owner and pay the appropriate percentage to the tax authority.
2. You take your normal management fee plus the tax from the owner and then pay the appropriate amount to the tax authority.

Outlined below are the steps involved in doing it each way.

1. You Pay

Each month run the Actual Fees report (Unit Reports) or the Income Summary report (Management Reports). Use the Management Fees total as the basis for determining the tax amount owed.

Name	Ledger	Management Fee	Leasing Fee
327 Cedar Lane	Harrison S. Golden	\$198.00	\$0.00
436 Fairway Drive	Harrison S. Golden	\$99.75	\$0.00
212 Main Street	Frederick Clayton	\$83.13	\$0.00
2118 Oak Street	Donald S. Schenk	\$98.00	\$0.00
Willow Brooke 201	NUZIG Inc.	\$0.00	\$0.00
Willow Brooke Unit 202	NUZIG Inc.	\$56.00	\$0.00
Willow Brooke Unit 203	NUZIG Inc.	\$80.50	\$0.00
		<u>\$615.38</u>	<u>\$0.00</u>

Property Management			
Date	Description	Amount	Balance
1/1/2019	Beginning Balance		\$541.61
Income			
	Management Fee	\$615.38	
	Late Fee	\$25.00	
	Total Income	<u>\$640.38</u>	
	Net Income (Loss)	<u>\$640.38</u>	
	Net Balance Change	\$640.38	
1/31/2019	Ending Balance		\$1,181.99

If there is more than one tax authority involved use either categories or the property manager field. Assign each unit profile to a property manager or category. When you run the Actual Fees report, use the Limit To or Sort By parameters to get a breakdown.

Unit Actual Fees			
January 1, 2019 to January 31, 2019			
Name	Ledger	Management Fee	Leasing Fee
Emma Bull			
436 Fairway Drive	Harrison S. Golden	\$99.75	\$0.00
212 Main Street	Frederick Clayton	\$83.13	\$0.00
Willow Brooke 201	NUZIG Inc.	\$0.00	\$0.00
Willow Brooke Unit 202	NUZIG Inc.	\$56.00	\$0.00
Willow Brooke Unit 203	NUZIG Inc.	\$80.50	\$0.00
	Emma Bull	\$319.38	\$0.00
Halfacre			
327 Cedar Lane	Harrison S. Golden	\$198.00	\$0.00
2118 Oak Street	Donald S. Schenk	\$98.00	\$0.00
	Halfacre	\$296.00	\$0.00
		\$615.38	\$0.00

2. Owner Pays

Set the management fee percentage to include the tax percentage. Thus if your normal fee is 8% and the tax is 5.8125% of that, the fee would be set at 8.465%. To determine the amount to give to the tax authority, run the Actual Fees report (Unit Reports) or the Income Summary report (Management Reports). Multiply the fee total by the tax factor to determine your fees. The difference between your fees and the total goes to the tax authority. The tax factor is your normal fee divided by the taxed fee.

For this example, $8 / 8.465 = .945$. Looking at the reports above, $\$615.38 \times .945 = \581.53 .

If there is more than one tax authority involved use either categories or the property manager field. Assign each unit profile to a property manager or category. When you run the Actual Fees report, use the Limit To or Sort By parameters to get a breakdown.