



Overview

This document contains guidelines for following real estate commission rules in several states.

Some states have administrative rules that require parameters in PROMAS to be set a particular way. If you know of any such requirements for your state please provide the information to us. Following are guidelines for Arizona, California, Colorado, Hawaii, Montana, New Mexico, Oregon, Washington and for Canada.

Arizona

Refer to How To document [#274](#) for details on sales tax payments.

- The designated broker must sign the monthly reconciliation reports.
- Do the Trust 3-way reconciliation when the bank statement is reconciled using same end dates.
- A maximum of \$3,000 of management group funds may be in the trust account after monthly payment of fees is done.
- We suggest you run the Bank Balance Breakdown report after paying management fees.
- Copies of checks (both sides) must be stored on-site.

Refer to How to [#728](#) regarding Audit (EBAR) requirements.

Refer to How to [#741](#) for information on creating the export file on taxes.

California

- Deposit receipts within 3 business days after receipt
- Remove any earned fees within 25 days. To comply we suggest you clear the management group balance to no more than \$200 at least twice a month.
- Reconcile the bank account monthly. More often is not permitted.
- A three way reconciliation is required. Refer to Trust Account 3 Way Reconciliation How to document [#707](#) or [Internal Audit #703](#).
- Maintain records for three years.
- The preferred practice for handling bank charges is to have your bank debit another bank account.
- All un-cashed checks must be reissued within 6 months. If the payee cannot be located, the funds are sent to the Secretary of State.
- Retain copies of the front and back of each check written against the trust account that your bank provides with the monthly statement.
- Non-resident owners have a quarterly withholding tax and must be sent a 592-B each year. See How To [#360](#) CA Non-Resident Withholding.

- Reports that you are required to produce:
 - Journal - daily chronological record of trust fund receipts and disbursements. Use Check Register report and Deposit Register or Receipt register report.
 - Cash Ledger - show increases and decreases to the bank account - use Bank Activity report.
 - Beneficiary Ledger - show in chronological sequence the details of all receipts and disbursements. Use the Cash Flow Audit.

Colorado

State requirements:

- Security Deposit funds much be maintained in a trust account separate from rental funds. We suggest you write refund checks from the Security Deposit trust bank account. When some of the security deposit is being forfeited, write a check from the security deposit bank account to be deposited into the rental trust bank account.
- Security deposits must be returned within 30 days unless the lease specifies otherwise - maximum is 60 days.
- Deposits for future rent on short term rentals must be deposited into a separate bank account per Rule E-1, except when the management agreement and the lease agreement specify that the prospective tenant payment is prepaid rent, as opposed to an advanced deposit. In that case, the funds can be received into the rental trust account and disbursed to the owner when due.
- Rent receipts must be deposited within 5 business days of receipt.

Florida

- Maximum of \$5,000 can be left in the trust bank account for the Management Group at month end.
- You have 30 days from the date of the tenant moveout to notify of intention to impose a claim on the security deposit. If there is no claim the security deposit must be returned in full
- 2 bank accounts recommended but not required.
- Very strict on enforcing instances of commingling funds.
- Tax must be paid on short-term rentals.
- Advance Rent (FS83.49(1))
 - Whenever money is paid in advance by a tenant other than for the next immediate rental period the funds must be deposited into a "trust/escrow account" rather than the property management "rent escrow account".
 - For example, if a tenant pays next month's rent early, it can go into the regular rent escrow bank account. If he pays for the next 2 or more months, the next month's rent can go into the regular rent escrow bank, the remaining money must go into a trust escrow bank account and be moved to the regular account as it comes due.

Hawaii

- Refer to How To document #[293](#) for details on sales tax payments.
- Security deposits must be returned within 14 days of tenant move out.
- A custom Hawaii Tax module is also available. It automates the preparation of the periodic tax reports and year end reconciliation and provides for electronic submission of the required reports.

Maryland

Security Deposits

- A security deposit may not be greater than the equivalent of 2 month's rent.
- Within 45 days after the contractual end of a tenancy, the landlord must return the security deposit to the tenant, less any damages rightfully withheld.
- You can choose to set the rate of interest that must accrue on a tenant's security deposit at either 3% annually or 1% below the Federal Reserve Board's discount rate as of January 1 of each year. The landlord must state the chosen rate in the tenant's written lease. If the landlord fails to state the rate of interest in the lease, the rate must be 3% per year.
- Through December 31, 2014 it can be calculated using the Maryland interest rate plugin. Interest from January 1, 2015 forward must be calculated using the State calculation site:
<http://dhcd.maryland.gov/RSDcalculator>

The state calculator only works for interest in 2015. Tenant who moved in prior to 1/1/2015 should have their interest amount through 12/31/2014 computed in PROMAS using the Maryland interest rate plugin and after 1/1/2015 using the state calculator. The interest due is the sum of the two.

Once you have determined the amount, use AR, Release Deposit to post the interest. Use the Interest adjustment field to make the interest the correct amount.

For example: if the determined interest is \$47.61 and the Interest amount in Release Deposit indicates \$36.44, enter \$11.17 in the Interest Adjustment field.

Montana

Property management fees earned must be taken out of the trust account within 10 working days. The maximum amount of management money that can stay in the account is \$1,000.

Funds received must be deposited within 3 business days of receipt.

To be in compliance with the state regulation relative to commingling funds, we suggest you write a check from the management group at least once per week that draws the management group balance down to a maximum of \$1,000. See the Help on Printing Check for Management Fees.

If you maintain an interest-bearing account, your management agreement must include verbiage to the effect that any interest accrued by the account belongs to the management group in consideration for services performed.

Should you decide to maintain more than one trust account, the account name and number must be reported to the Real Estate board.

The owner, tenant and property ledgers must have a transaction running balance. The default running balance is daily. Go to <<Setup, Processing Defaults>>, tab 5. In the Customized Programming Options type: /runningbalance. Save. Exit program and log in again.

Reports to run: tenant activity; bank activity; owner statement where body style=owner balance details and running balance is set to daily.

New Mexico

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.

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.

2. Owner Pays

Set the management fee percentage to include the tax percentage. Thus if your normal fee is 8% and the tax is 6.5% of that, the fee would be set at 8.52%. 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, $8 / 8.52 = .939$.

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.

North Carolina

Based on Trust Account Guidelines - NC Real Estate License Law and Commission Rules

Article V - Depositing Trust Money

Deposit funds within 3 banking days of receiving it.

Article VI - Disbursing Trust Money

Management fees should be disbursed to company within 30 days.

Tenant security deposit should be refunded within 30 days.

Article VII - Recordkeeping and Accounting

Rule A.0107(e) - Trial Balance is the Bank Balance Breakdown report in PROMAS.

Oregon

Offsetting Owner Transactions

Based on Oregon Administrative Rules, the following parameters should be set:

Setup, Processing Defaults, Database tab

- Mark "Post Offsetting Owner Transactions for Tenant Charges Paid to Management"
- Mark "Generate a Destroyed Check when a Check is Voided"

Since the "Post Offsetting Owner Transactions" causes tenant payments to flow through the owner's ledger and show on the owner's statement, you may want to alert the owner that late fees, NSF fees and application fees that normally go to the management group will show coming in as income and going out as offsetting negative income on the statement.

Destroyed Checks

The combination of generating a destroyed check entry when a check is voided and using the Destroyed Check function to record damaged checks will let you account for all checks when printing the Check Register (with Destroyed) report.

Security Deposits

To show the security deposit receipt and refund on the owner ledger, do the following:

Receipt - Do the Security Deposit receipt the normal way. To record the transaction on the owner/property ledger, do a Journal Voucher: credit SD Received (account type Income), debit SD to Bank (account type Expense). Put the unit and or tenant name in the memo field.

Refund- When doing the move out, charge the tenant for SD Refund in the in the amount of the refund. The account code should have an account type of Equity. Then use Single Check to print the refund check to the tenant (using one time payee to enter the name and address). Use a bill code of SD Refund that points to the SD Refund account. Do a journal voucher for any amount not being refunded to the tenant: credit SD from Bank, debit SD Forfeit.

Archives

The record keeping requirement is six years. Therefore, no archives should be run that would eliminate any transactions that are less than six years old.

Owner Profile ID

We recommend using the same ID for an owner profile that you assign as the "Identifying Code" associated with the management agreement. That code will print on the appropriate deposit and check registers.

Account Code ID

Rename the checking bank account to Client's Trust Account and the escrow bank account to Security Deposit-Client's Trust.

Cash Receipts

The record keeping for cash receipts is more detailed than PROMAS produces on the printed receipt. Therefore we recommend setting a policy of not accepting cash payments. If you choose to accept cash then the "legible written receipt" must be handled outside of PROMAS. When posting the payment in PROMAS mark the cash checkbox and enter the receipt number in the memo field.

Application Fees

Application fees are normally processed as ledger receipts into the management group. Since these fees are collected prior to an applicant being a tenant and may not be able to be associated with a unit at the time of receipt, we suggest you continue processing all application fees as ledger receipts. To satisfy the state requirements you must, at the time you determine the unit the fee was for, post a journal transfer or use adjust open credits and charge tenant to cause the fee to show as a pass through on the owner ledger.

Persons other than tenants making payments

You must set up a tenant profile for each individual that makes a payment. Use the responsible tenant feature and mark the Post to Responsible Tenant checkbox for individuals other than the actual tenant.

Backup

You are required to back up your data at least once a month. While there is no specified length of time to keep the backups, we suggest that you back up on the last day of each month and mark the backup as an archive to be retained at least 12 months.

Management Fees

The normal process in PROMAS is to set up the management fees so they are taken from the owner and credited to the management group at the time the rent payment is posted. At the deemed time they are then taken out of the client trust account by writing a check with the company as payee.

Oregon regulations refer to taking the fee when "earned". "Earned" is not defined, but if no other agreements with the owner are arranged, it is generally accepted to be after you pay any bills on behalf of the owner and concurrent with or prior to paying the owner proceeds. If you prefer to follow the standard process, we recommend that your management contract with the owner include a paragraph defining "fees earned" as being when the tenant makes payment.

An alternative that lets you take the fees at any time you desire after payment is to use the monthly management fee reconciliation function. It involves defining a property for each owner's units and entering the management fee percentage in that field. In the Management Fee profile, leave the "Percent of Collected Rent" field blank. Whenever you have "earned" your fees, use the <<GL, Scheduled Journal Entries, Reconcile Property Management Fees>> function to compile and post the fees.

On the last day of each month you should write a check to your company for the balance in the Management Group Ledger. This will cause the Bank Balance Breakdown report to equal the Ledger Balance report plus open credits.

Refer to How To document #[703](#) for additional information on reports to run.

Virginia

There is an Interest Rate Plugin for calculating interest on security deposits which is updated each January when the new rate is available. The Interest Rate Plug-in field in the Rate Table should be set to Virginia. See Rate Table.

The maximum amount for security deposits is 2 months rent. Pet deposits are included in the maximum.

The maximum charge for an NSF is \$50.

Washington State

Overall

Deposits of funds received must be deposited within the first banking day following receipt.

Any transaction causing a ledger balance to fall below \$0 must be covered by a loan from management if not forthcoming in a timely manner from the owner or tenant. (See Management Loans Money to Owner #[251](#)).

Management Fees

The Management Group ledger should be drawn down to \$0 at the end of each month, i.e. prior to charging rents for the next month. The sum of the commission checks written during the course of the month is supported by the Income Details report for the month (Reports, Management Group Reports, Income Details).

Following the procedures outlined in the Audit section of Help produces the necessary reports to meet the state requirements.

All reports should be printed monthly and retained in a separate folder for that month. Include the bank statement in the folder.

The Deposit Register Details and Check Register Details reports must be printed at the end of each month and retained.

Cross Reference

<u>State Terminology</u>	<u>PROMAS Report</u>
Trial Balance (Trust Liability)	Bank Balance Breakdown
Check Register Balance	Bank Account Activity
New Balance	Bank Reconciliation
Schedule of Commissions	Income Details for Management Group

ESB6413: Tenant Selection Policy

This bill has three parts: (1) requiring landlords to indicate in their criteria and on their property's website whether they accept a reusable tenant screening report; (2) limits a screening company's ability to report certain eviction cases, if a judge signs an 'Order of Limited Dissemination'; and (3) increases the time required to return security deposits from 14 to 21 days.

Canada

Canadian checks have a mandatory format effective June 1, 2007. Using checks preprinted by third party suppliers require no changes in PROMAS.

To print MICR checks, top or center, in the required format, the term “/CANADA” must be added to <<Setup, Processing Defaults>>, tab 5, Customized Programming Options field.

In addition, the check field of the MICR band section in <<Setup, Account Codes>>, tab 3 must be modified to include the serial number as required by the regulation.