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COVID's Health Effects on Employees & Workers
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Tax Saving Features of Corporations, S
Corporations, and LLCs

... and much more!

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COVID's Health Effects on Employees & Workers Compensation Insurance

By Jennifer Perkins

As most have heard by now, general liability and property insurance coverage excludes claims resulting from viruses. However, workers compensation insurance does not exclude COVID claims. Employees claiming on the job COVID infections are covered for both medical expenses and lost wages. So after about ten months of data accumulation, what does it show about employees catching COVID while on the job? Here's eight interesting findings:

1. There have been fewer COVID claims than projected;
2. The COVID losses per claimant have been smaller than projected;
3. Telemedicine has been more accepted by COVID patients than for other on the job injuries of the past. Telemedicine is faster, cheaper and less risky than visiting medical facilities for treatment;
4. After three straight years of reductions, treatment for opioid abuse by employees increased in 2020. Preliminary information evidences the rise is related to employees with addiction problems struggling in at-home work environments;
5. The percentage of all workers compensation claims that arise from COVID varies from 42% in Massachusetts to 1% in Kansas. Other states with more than 30% of all their workers compensation cases allegedly arising from COVID include NJ, CA, and CT. States with mask mandates have higher COVID employee injury reporting rates;
6. Of all employees hospitalized due to COVID complications, 20% ultimately spent time in the ICU;
7. 77% of all COVID workers compensation cases were filed by women; and
8. Overall workers compensations losses were down more than COVID caused losses increased.

While many types of insurance rates are expected to increase in 2021, workers compensation insurance has downward rate pressure. Workers compensation insurance isn't generally a big cost center for Manufactured Home Community Owners, but every bit of savings is welcomed.



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Government Funding for Manufactured Home Communities and Renters

Alabama Manufactured Housing Association

The COVID-19 pandemic has impacted virtually every reach and sector of the world, including the manufactured home communities, owners, and renters throughout the U.S. Here is what you need to know about the next steps.



As the world continues to battle the ups and downs of the COVID-19 outbreak, the U.S. economy – on all fronts and in all sectors – has suffered major disruptions. Businesses across the U.S. have faced closures, reduced operations and the demand for remote work. Individuals have dealt with quarantines and shelter-in-place orders, layoffs, furloughs, decreased incomes and are struggling with the supply for key consumer resources. Students have seen schools and campuses closed and have transitioned their class schedules to online learning. Medical personnel and health care systems have and continue to battle critically low inventories.

In various analyses of COVID-19's effects on the housing market, as noted by the Urban Institute, manufactured housing is a largely overlooked – yet extremely viable – option in the wake of suffering incomes and bank accounts for the American people.

Nearly 22 million people throughout the U.S. live in manufactured housing, according to ManufacturedHomes.com. These 22 million renters and owners tend to work in industries that have been immensely impacted by the pandemic (35 percent of manufactured homeowners work in industries that have been most impacted by the coronavirus crisis), yet mostly fall outside the protections offered by the Coronavirus Aid, Relief, and Economic Security (CARES) Act since a majority of new manufactured homes fall under the category of “personal property” as



opposed to “real estate”. As policymakers negotiate the next round of coronavirus relief, will they support the communities, owners and renters of manufactured homes?

Without proper financial assistance from the government – whether at the federal, state or local level – the homelessness rate for those currently occupying manufactured homes could skyrocket by January 2021.

Legal Breakdown

Of the manufactured homes titled as personal property, only Federal Housing Administration (FHA) Title 1 loans qualify for CARES Act forbearance. In most states, this requires the borrower to own both the structure and the land it is sitting on, meaning renters would not be covered.

Even more, most chattel lenders – loans where the homeowner already owns the land and only has a loan for the home itself – are offering forbearance, but some are requiring quicker payback periods than the standard terms afforded to FHA and government-sponsored enterprise borrowers.

The Health and Economic Recovery Omnibus Emergency Solutions (HEROES) Act, if passed, would extend the benefits of federal forbearance programs to households without federally backed mortgages and applies similar forbearance and repayment programs which would include chattel loans on manufactured homes.

Government Funding for Manufactured Home Communities and Renters Cont.



The HEROES Act Explained

The HEROES Act contains a large number of provisions, among them \$175 billion in housing support: nearly \$1 trillion for state, local and tribal governments; up to \$6,000 per family direct payment; \$200 billion for hazard pay for essential workers; \$75 billion for coronavirus testing and tracing; increased spending on food stamps; student loan forgiveness; and a new employee retention tax credit and extension of unemployment benefits.

The proposed Act includes a \$100 billion emergency rental assistance proposal known as the “Emergency Rental Assistance Act and Rental Market Stabilization Act” under which an emergency rental assistance would be distributed. This funding could be used for short- and medium-term rental assistance and rent-related costs, including utility payments, rent and utility arrears, arrear fees, and security and utility deposits.

At least 40 percent of the appropriated funding would have to be used to assist individuals or families experiencing, or at-risk of, homelessness with incomes less than 30 percent of area median income. At least 70 percent of the funding would have to be used to serve individuals or families experiencing or at-risk of homelessness earning less than 50 percent of AMI.

What’s to Come for Manufactured Home Communities and Renters

Our hope at AMHA is for either an extension of unemployment benefits or the passage of the HEROES Act. Our preference would be that the money goes directly to landlords and/or property management companies for the ease of funding management; but we would, of course, also support manufactured home renters being able to apply for the financial support individually during this time. We understand that manufactured home renters will still owe back rent with this option, but without any financial assistance, many of them

could end up owing several months’ rent by the time the holiday season approaches, plus late fees.

The latter option – going directly to the manufactured home community owners/landlords – includes eviction protections and rental assistance programs for those who cannot make their rental payments, regardless of whether the landlord has a federally backed loan, would be beneficial for all in the manufactured home realm, which is why we favor said option.



Hope for All

In developing policies to keep people safely housed during the COVID-19 pandemic, it is important to identify the most vulnerable groups and the sources of their vulnerability. The 22 million renters and owners living in manufactured homes are particularly vulnerable during the pandemic because of their service-industry-focused jobs and many occupants dealing with low income. Manufactured homes and communities need support during this next round of funding. AMHA is here to advocate for our manufactured homeowners, renters, retailers and communities and we will do all that we can to ensure justice and fair funding for all.

For the latest news, updates and support, please access our laws and regulations resources, news updates and/or contact us or your local, state and federal government outlets for more information.

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HUD Charges Pennsylvania Housing Provider with Discriminating Against People with Mental Disabilities

hud.gov



WASHINGTON - The U.S. Department of Housing and Urban Development (HUD) announced today that it is charging Perry Homes, Inc., and Whittington and Whittington, doing business as Perry Homes, with violating the Fair Housing Act by refusing to allow assistance animals in rental properties in Harmony, Cranberry Township, and Zelienople, Pennsylvania. HUD's charge specifically alleges that rental agents for Perry Homes told fair housing testers posing as prospective tenants with disabilities that they could accept service animals but were not permitted to accept "emotional support" animals. [Read HUD's charge.](#)

The Fair Housing Act prohibits housing providers from discriminating against people with disabilities, including refusing to make reasonable accommodations in policies or practices when such accommodations may be necessary to provide persons with disabilities an equal opportunity to use or enjoy a dwelling. This includes permitting persons with disabilities to have service animals or assistance animals. Housing providers, unlike public accommodations, may not prohibit people with disabilities from having assistance animals that perform work or tasks, or that provide disability-related emotional support.



"Assistance animals provide an invaluable service to people who have disabilities, including disabilities affecting mental health," said Jeanine Worden, HUD's Acting Assistant Secretary for Fair Housing and Equal Opportunity. "Today's action demonstrates HUD's commitment to ensuring that housing providers follow the law by recognizing the right of persons with a disability-need for assistance animals to have that accommodation." "HUD will vigorously enforce the rights of persons with disabilities to receive the reasonable accommodations they need to enjoy their homes," said Damon Y. Smith, HUD's Principal Deputy General Counsel. "HUD is committed to ensuring that housing providers do not discriminate against persons with disabilities who need assistance animals."

The case came to HUD's attention when Southwestern Pennsylvania Legal Services (SPLS), a HUD Fair Housing Initiatives Program agency, filed a complaint after testers posing as prospective tenants who said they had assistance animals were told that the animals were not allowed. Specifically, according to HUD's charge, Perry Homes rental agents told testers that only registered service animals that had been trained for a specific duty would be permitted, and that Perry Homes was not obligated to accept "emotional support" animals.



HUD's charge will be heard by a United States Administrative Law Judge unless any party elects for the case to be heard in federal court. If the administrative law judge finds after a hearing that discrimination has occurred, the judge may award damages to the complainant for losses that have resulted from the discrimination. The judge may also order injunctive relief and other equitable relief, as well as payment of attorney fees. In addition, the judge may impose civil penalties in order to vindicate the public interest.

People who believe they have experienced discrimination may file a complaint by contacting HUD's Office of Fair Housing and Equal Opportunity at (800) 669-9777 (voice) or (800) 877-8339 (Relay). Housing discrimination complaints may also be filed by going to hud.gov/fairhousing.

For more information about assistance animals under the Fair Housing Act, please see: <https://www.hud.gov/sites/dfiles/PA/documents/HUDAsstAnimalNC1-28-2020.pdf>.

Monday Morning Outlook - Federal Reserve Chairman Powell Disses Uncle Milt (Is Inflation Coming?)

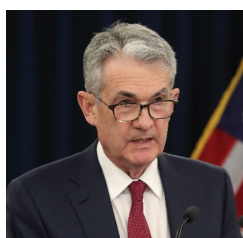
By Economists Brian Wesbury and Robert Stein of First Trust Advisors

Those of us who are concerned about inflation increasing faster than the Federal Reserve anticipates are focusing on the rapid increase in the M2 measure of the money supply. This measure has soared since COVID-19 hit the US, up about 25% from a year ago, the fastest growth on record.



It is the key difference between the current situation and the situation in the aftermath of the Financial Crisis of 2008-09. During that first round of Quantitative Easing and big spending bills (like TARP), the M2 measure remained subdued because the Fed kept banks from lending, in part by raising capital standards. As a result, inflation remained subdued as well.

This is consistent with what the late great economist Milton Friedman (Uncle Milt) taught us. He said, watch M2: Nominal economic growth and inflation will tend to track M2 broadly over time, adjusted for any fluctuations in the velocity of money, the speed with which money circulates through the economy.



But Fed Chairman Jerome Powell disagrees. As he recently said, "When you and I studied economics a million years ago, M2 and monetary aggregates seemed to have a relationship to economic growth," but, "right now ... M2 ... does not really have important implications. It is something

we have to unlearn I guess." In other words, Uncle Milt's theories don't work.

Wow! A Federal Reserve Chairman who casually dismisses the monetary lessons of Milton Friedman does so not only at his own peril but the country's.

The yield on the 10-year Treasury note is already up about 50 basis points this year even though short-term interest rates haven't budged and aren't expected to do so anytime soon. Meanwhile, analysts are marking up their estimates of real GDP growth this year.

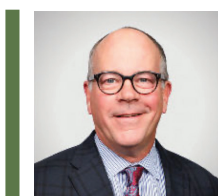
We're not saying inflation is going to suddenly surge to 25% (the same pace as M2 growth) or anywhere close. COVID19 led to a crash in velocity and it will take time to recover, which also gives monetary policymakers time to reduce the pace of M2 growth before a serious inflation problem takes hold.

But that's different from saying the money supply doesn't matter at all, which was the message Powell sent.

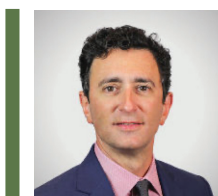


The US economy is healing faster than expected, while the US Congress and President Biden are intent on pouring at least one more massive government spending stimulus into the system. They are doing this even though the pandemic is waning, and a double-dip recession seems highly unlikely.

The big risk for the next couple of years is an upward surge in inflation that's larger than anything we've experienced in the past couple of decades. We still project 2.5% CPI inflation for 2021, as the government's measure of housing rents holds the top-line inflation number down. But commodity prices are likely to continue rising and overall inflation will as well in 2022 and beyond. There is an old saying: When the Fed



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Chief Economist



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This report was prepared by First Trust Advisors L. P., and reflects the current opinion of the authors. It is based upon sources and data believed to be accurate and reliable. Opinions and forward looking statements expressed are subject to change without notice. This information does not constitute a solicitation or an offer to buy or sell any security. CRC #

Must MHC Owners Protect Tenants from Rapists, Hooligans, and Thieves?

By Kurt D. Kelley, J.D.



Many landlords are surprised to learn they have a legal duty to protect their tenants from rapists, attackers, and thieves. Claims against multi-family housing providers continue to rise as jurors continue to become more hostile to business owners. Multi-unit housing providers are the target of two thirds of all negligent security claims filed against business owners. Worse yet, 2020 revealed a dramatic increase in both crime and victims' rights protections across the country.

How bad is the problem?

A manufactured home community tenant was sitting in his living room watching television when someone broke into his home and shot him in the back of his head. Evidence suggested the culprit was a deranged family member who lived outside the community. The family of the murdered tenant sued the community owner for negligent security practices. The claim was ultimately settled for about \$800,000 or a little under policy limits.

A jury awarded the family of a man shot and killed in a housing complex \$20 million. They declared the killer was 50% at fault, and the property owner 50% at fault. In another case, the victim was shot and killed in a common area of the housing provider. There were allegations of insufficient lighting, no security guards, and no security cameras, as well as evidence that crime was prevalent in the city surrounding the housing complex. The family of the victim sued the housing project owner. The case settled for \$2 million which was the insurance policy limit.

In another case, the plaintiff was shot multiple times in a housing project. The jury awarded his family \$5 million. In a Pennsylvania case, a man was shot and killed in a tavern. The patrons entering the tavern were required to pass by a metal detector, but the shooter's gun was not detected. The Jury awarded \$1.9 million apportioning fault 90% to the tavern owner, and 10% to the killer. In Georgia, the family of a man shot outside of a convenience store was awarded \$52 million. The jury reported they were mad that the store owner had not installed security cameras.

In a Florida case, a supermarket patron was shot and killed in the parking lot. The supermarket had armed security, check cashing with bulletproof glass, and an extensive security system. The case settled for \$1million. The biggest "negligent security" judgment in Florida history, \$102 million, was granted even though the murder happened across the street from the defendant's business in a parking lot known to be used by the business owners' customers, but not owned by the business.

What evidence causes landlords to be found responsible for attacks against tenants / customers?

When juries are seeking to place blame for an attack, they are instructed by the courts to consider all types of evidence that establish a landlord knew or should have known about the threat. Liability turns on whether the crime was foreseeable. The most important evidence is the existence of any prior similar events. Jurors often consider the fact something happened as proof that it was foreseeable.

Unfortunately, the word "similar" has been expended to include about any criminal activity. Florida law now allows evidence of any prior crimes in the area to evidence landlord negligence. The theory is that even a criminal trespass or panhandling is evidence of pending assaults, murders, or rapes.

The key question is whether the property owner had a legal duty to employ reasonable security measures that may protect people from foreseeable criminal activity. It's left to jurors to determine whether the business owner was negligent in failing to employ reasonable security measures.

Must MHC Owners Protect Tenants from Rapists, Hooligans, and Thieves? Cont.

How do community owners minimize the risk?

Manufactured Home Community managers should consider the following measures to minimize the risk of criminal activity on their property:

- Implement corporate policies governing tenant and visitor security
- Maintain practices that maximize detection, deterrence, and prosecution of criminal acts on the premises
- Work together with other local business owners and law enforcement to improve safety practices
- Train personnel to identify suspicious behavior
- Install and maintain CCTV – monitored and recorded. Fake cameras should NOT be used
- Document security device placement – lights, video cameras, signs, etc
- Hire unarmed security personnel (indemnity contracts with 3rd party security providers are critical) when crime is high in the area
- Remove vagrants and transients from the property
- Implement strict standards with employees to discourage violent behavior
- Ensure parking facilities are illuminated and patrolled / close off unused parking areas and alleys
- Maintain adequate lighting at doors, vehicle entrances, walkways, and parking areas
- Trim foliage to prevent criminals from hiding
- Keep records of crimes discovered and the frequency of patrols

- Implement procedures for employee, tenant, and vendor safety
- Create incident response procedures
- Place appropriate fencing and key controls
- Know your neighborhood crime statistics – more crime dictates more security measures
- Re-key locks after every change of tenancy

Negligent security claims against multi-family housing providers are a large and growing problem. Worse yet, the judgments handed down by jurors against landlords can spell the financial end of the investment property. Review the recommended steps above and test your manufactured home community for compliance. Do not wait until it is too late.



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President of Mobile Insurance, an agency specializing in insurance for manufactured home communities and retailers. Named top commercial insurance agency by American Modern Insurance Group. Member of numerous insurance companies' policy development and advisory teams. One of largest manufactured home specialty agencies in the country.





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Pet Adoption Skyrockets During the Pandemic: Impact on Real Estate

By Laura Agadoni

Being a pet person myself, I've always allowed pets (within limits) in my rental properties. And with maybe one exception, all my tenants have had pets. It's one of the reasons people choose my rental over another. I know this because applicants tell me so.



I know the argument against allowing pets: Pets cause damage -- or at least additional wear and tear -- on property. And that's true. But running a landlord business warrants evaluating the cost-benefit analysis of allowing pets. If you haven't considered this issue since the pandemic (or ever) and simply haven't allowed pets, it's time to possibly reevaluate your policy -- pet ownership since the coronavirus is at an all-time high.

The Pet Picture Overall

Americans love pets. About 85 million families (67% of U.S. households) owned a pet in 2019, according to the American Pet Products Association (APPA) National Pet Owners Survey.



Not surprisingly, most people own dogs and cats: 63.4 million and 42.7 million, respectively. This still leaves a sizable number of people who don't own pets, but you can see how much landlords limit their market by having a no-pet policy.

How COVID-19 Increased Pet Adoption

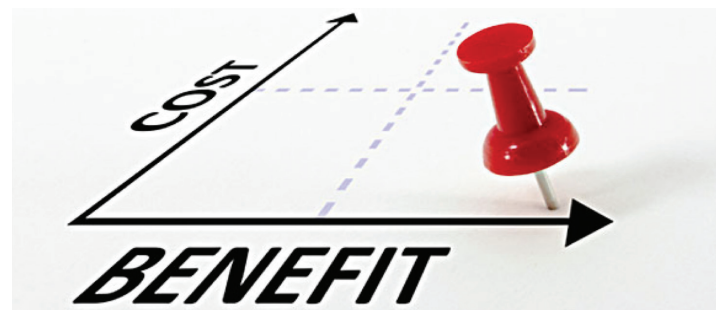
What didn't change during the pandemic? As the country went on lockdown, people changed the way they lived their lives: They started exercising at home more (Peloton (NASDAQ: PTON) sales went through the roof -- the company more than tripled its first-quarter revenue as of November 2020). And, of course, people started working from home.

Americans, used to more hustle and bustle from the gym and office, became bored and lonely while sheltering in place. Hello, pet adoption. Pets provide companionship, and in the case of dogs, get people exercising outdoors instead of a stuffy gym.

Pets, popular before the pandemic, are in even bigger demand now, as pet adoptions are up across the country. New York millennials in buildings that don't allow pets are moving. In Ohio, Cuyahoga County's pet adoption rates have "skyrocketed."

How to Run a Cost-Benefit Analysis

Running a cost-benefit analysis helps business owners make decisions. Regarding pets, the way landlords can determine whether it might be worthwhile to allow tenants to have them is to determine whether you'll miss opportunities by not allowing pets. (You will.) You should also determine whether those missed opportunities might lead to money left on the table. (They will if your rental stays vacant an extra month or two.)



Pet Adoption Skyrockets During the Pandemic: Impact on Real Estate Cont.

My Experience

Every landlord situation is different, but let's take mine as an example. My business is single-family detached homes. With that said, my market is probably more pet-oriented than a landlord's with rental units in buildings. So YMMV (your mileage may vary), so to speak.

Whenever I advertise a vacancy, most applicants, at least 80%, have a pet. I probably could still have a successful business if I didn't allow pets, but there's no way I want to limit my applicant pool by 80% or more. So I allow them. My cost (losing 80% of applicants) is too high; therefore, the benefit I get regarding the number of applications outweighs the cost of possible pet damage, of which I have a plan.

I charge pet rent, which increases the monthly rental amount for renters with pets, but this policy is actually a win-win for applicants and for me. If I didn't charge pet rent, petless applicants (all other things being equal) would win the spot every time. But the extra money renters pay in pet rent levels the playing field.

The additional money I collect in pet rent goes to extra costs I typically incur to get the property back in shape. Case in point: Upon a recent move-out inspection, I found the tenant's dog had chewed the windowsill. I needed to pay to have this fixed, but the extra pet rent I charged covered the repair cost.

The Millionacres Bottom Line

The surge in pet ownership, particularly among millennials, has led many to seek out pet-friendly rental properties. If you don't allow pets in your rentals, it might be time to reevaluate that policy.



Laura Agadoni, author of "New Home Journal: Record All the Repairs, Upgrades and Home Improvements During Your Years at...", is a real estate writer, landlord, and REALTOR®. Her work has been featured in various publications, such as Trulia, JLL Real Views, and Landlordology. Laura became an accidental landlord after inheriting her parents' California ranch home during the real estate crash of 2008. Since then, she's bought more properties to manage and focuses her writing on real estate and landlord issues. Laura is also a wife and mother of three grown children. When she isn't working, she's walking her dogs or playing tennis. Laura earned a degree in journalism from California State University and lives in Marietta, GA.



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Rising Land Values Create a Tipping Point for Community Redevelopment

By Frank Rolfe



There is a silent battle that all community owners face and that is deciding whether to stay as a manufactured home community or redevelop into a different use. What creates this situation are rising land values, and in many U.S. markets that is happening at a brisk pace. In addition, there are some unique attributes about manufactured home communities that make them even more attractive for development for a wide array of land uses.

How the land can be more valuable than the manufactured home community itself

Land is a finite commodity – there is only so much of it on earth. And every piece of land in America has an infinite number of uses that are only restricted by zoning. While a manufactured home community is one potential use for land, so are many variants that may have a higher and better use that is more profitable. For example, many manufactured home community owners are finding that their properties can be redeveloped into single-family subdivisions at a much higher sales price per square foot than the current use. Harvard recently explained this phenomenon in a paper on the spike in home land values in which 80% of U.S. counties displayed huge increases in land value for single-family homes and multi-family applications <https://www.jchs.harvard.edu/blog/increasing-land-prices-make-housing-less-affordable>. But it is not just residential land values that are increasing. Commercial property land values are also increasing dramatically, and many manufactured home communities are getting the wrecking ball to make way for such uses as retail and industrial development. A large, manufactured home community I drove through recently in Indiana was being torn down to build a new Home Depot store. It is happening across America.

Why higher rents are the only solution

In evaluating the highest and best use of any piece of land, it all boils down to net income. And the only way to increase the net income of a manufactured home community is to raise lot rents. Significantly. The good news is that manufactured home community lot rents have huge untapped potential as they are – in most markets – ridiculously low. It is estimated that the average lot rent in the U.S. is around \$280 per month. That makes no sense since the inflation-adjusted average lot rent when these properties were built was around \$500 per month. Why have they lost half their value with inflation? Charles Becker, an economist at Duke University has even studied this phenomenon. Common thought is that it was the result of “mom and pop quantitative easing” in which the owners suppressed normal inflation-adjustment rent increases in the misguided concept that they were helping the residents out. The truth is that all they’ve succeeded in doing is to bring many manufactured home communities to the tipping point for redevelopment. Now the new owners are faced with making large increases just to keep the properties alive instead of the simple, small annual increases that should have happened over the past half-century. For many properties to remain in operation, the rents will have to be closer to \$500 per month. Effectively, the choice is to either raise rents or change uses. It is simple economics.

The media is not helping the situation – all to the detriment of the very people they claim to serve



The media loves to chastise manufactured home community owners for raising rents to healthy levels.

The number one article on any Google search of “manufactured home communities” is this or that media outlet criticizing the owners for making reasonable upward movements in rents. This baseless public shaming simply makes many owners seek out redevelopment options. I know of an owner in the Midwest that quietly sold their property to a developer rather than undergo the scrutiny and bashing of local media groups for raising rents. When this occurs, the few residents who complain of higher rents, and the media groups that publicly shame owners, succeed in making the entire community homeless.

Rising Land Values Create a Tipping Point for Community Redevelopment Cont.

Manufactured home communities offer unique permitting opportunities for developers

It is true and accurate that most city managers – and surrounding community residents – will approve virtually any use to get rid of the manufactured home community. I saw this first-hand with a community I owned in Springfield, Missouri years ago. I was approached by a local real estate broker who had a client that wanted to buy my manufactured home community because he knew that the city would trade him a coveted high-density apartment zoning if he offered to demolish the “trailer park” in trade. He was completely correct. Half the town showed up at the zoning meeting and declared “I hate the idea of the high-density apartments, but I hate the mobile home park even worse so I’m all for it!” It passed by the zoning board unanimously and 100 manufactured home residents suddenly found themselves looking for a new property to move to. This national stereotype against manufactured home residents gives all developers a strong tool – and they know it.

Manufactured home communities are also cut into nice sizes and already have utilities present

In talking to a land broker years ago, I learned that it is hard for developers to buy huge farms and tracts of land because it requires substantial re-platting and there are no utilities present. In addition, when you buy a big piece of land you must sell off all the parts you do not need. But manufactured home communities offer a land footprint that is ideal for most development uses. And they already have water, sewer and electric available, as well as paved entrances. Even without the power of the rezoning “tool”, manufactured home communities are a perfectly tailored option for new uses.

Why this will be a big deal going forward

In the nation’s endless cage fight between capitalism and socialism, people have forgotten the real world of economics. While talk is cheap, cash is not, and manufactured home community owners are not non-profits who will miss out on opportunities to maximize their land value. The concept of higher lot rents should be embraced by those in the government and media as they are the only thing holding back a tidal wave of redevelopment. And when these last vestiges of affordable housing are lost, they are not coming back.

Conclusion

Manufactured home communities are an endangered species – there are over a hundred torn down each year for redevelopment into other uses. And this number is expected to increase dramatically going forward as land values skyrocket in many markets. Higher lot rents are the only option to stop this tide whether the media wants to accept it or not. It is not a threat; it is simple economics



Frank Rolfe has been a manufactured home community owner for almost two decades, and currently ranks as part of the 5th largest community owner in the United States, with more than 23,000 lots in 28 states in the Great Plains and Midwest. His books and courses on community acquisitions and management are the top-selling ones in the industry. To learn more about Frank's views on the manufactured home community industry visit www.MobileHomeUniversity.com.



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Tax Saving Features of Corporations, S Corporations, and LLCs

By Nellie Akalp

I regularly speak to business owners about entity types and their potential impact from a tax perspective. A while back, I created a webinar for accountants (and other professional services providers that work with businesses) on the topic of business structures and taxes. It is focused on the possible tax advantages and disadvantages of C Corporations, S Corporations, and Limited Liability Companies (LLCs). In this article, I'll break down the important considerations that I discussed in that presentation.

- Benefits of Business Incorporation
- Overview of the C Corporation, S Corporation, and LLC
- Tax Advantages and Disadvantages
- Tax Cuts and Jobs Act
- Helping Clients Select an Entity
- Steps to Get Started
- Entity Conversions
- Helpful Resources

Benefits Of Incorporating

If you're operating your business as a sole proprietorship or partnership, you may be wondering, "Is it time to create a formal business structure." And if you're an accounting professional who works with business clients, you may have customers who are pondering that question.

Some of the features that attract small business owners to incorporating or forming a limited liability company (LLC) include:

- Liability protection of personal assets
- Credibility
- Perpetual existence (i.e., the business can continue without the original owner)
- Tax flexibility
- More business tax deductions

Overview of Business Structures

Before I get into the tax advantages and disadvantages of each entity type, let's take a minute to discuss the basics of each business structure.

C Corporation Business Structure

The C Corporation (C Corp) is the most common form of corporate entity. Owners are called "shareholders," who must elect a board of directors to create and direct the business's

high-level policies and decision-making.

A C Corp is a separate legal entity from its owners, so shareholders (under most circumstances) are shielded from personal liability for the business's debts. Note that forming a C Corporation is more complicated than establishing a business under other structures, so it's generally not ideal for small businesses unless they intend to go public or seek venture capital funding.

C Corp initial filing requirements include:

- Articles of Incorporation
- Initial Report (some states)
- Publication Fees (some states)

C Corp annual compliance requirements include:

- Annual Reports (most states)
- Annual Meetings
- Meeting Minutes
- Retaining a registered agent to accept service of process on behalf of the business

S Corporation Business Structure

An S Corporation is different from a C Corporation in two significant ways:

1. An S Corporation is a C Corporation that makes an election with the IRS to be taxed as a "pass-through entity," and
2. An S Corporation has limitations on ownership.

To qualify for S Corp status, a C Corp must meet strict requirements with the IRS. An S Corp must continue to meet the underlying C Corporation's compliance responsibilities, such as holding annual shareholders' meetings and directors' meetings and documenting key shareholder decisions. They must also file a separate corporate income tax return for informational purposes even though the business's income passes through to the individual shareholders' personal tax returns.

S Corporation initial filing requirements include:

- Articles of Incorporation
- Initial Report (some states)
- Publication Fees (some states)
- Filing of IRS Form 2553

Tax Saving Features of Corporations, S Corporations, and LLCs Cont.

S Corp annual compliance requirements include:

- Annual Reports (most states)
- Annual Meetings
- Meeting Minutes
- Retaining a registered agent to accept service of process on behalf of the business

Note that eligible LLCs may also request S Corp election. I'll explain that below.

Limited Liability Company Business Structure

A Limited Liability Company is a popular business structure because it combines the liability protection offered by incorporation while retaining some of the administrative simplicity (including pass-through tax treatment) of a Partnership or Sole Proprietorship.

An LLC shields its owners (called "members") from personal liability because it is its own legal entity, separate from its owners. The LLC entity type is less complex to form and manage than the C Corp and S Corp.

LLC initial filing requirements include:

- Articles of Organization
- Initial Report (some states)
- Publication Fees (some states)

LLC annual compliance requirements include:

- Annual reports (most states)
- Annual meetings (if required by the LLC's operating agreement)
- Meeting minutes (if required by the LLC's operating agreement)
- Retaining a registered agent to accept service of process on behalf of the business

Tax Advantages and Disadvantages

Let's now take a look at the potential tax benefits and drawbacks of each entity type.

Tax Advantages of the C Corp Structure

- **Corporate Income Tax Rate Maybe Favorable** - A C Corp's profits get taxed at the corporate income tax rate. In some circumstances, that might work in the business owners' favor. Depending on the location and shareholders' personal tax situation, they might find the corporate tax rate will cost them less than if they were set up as a pass-through entity (LLC, partnership, or sole proprietorship).

- **Possibly More Tax Deduction Opportunities** - As a C Corp, the business may be eligible for more tax deductions than if it were an LLC, partnership, or sole proprietorship.
- **S Corporation Options for Qualifying C Corporations** - Eligible C Corps may be taxed as an S Corporation, enabling them to avoid the sting of "double taxation."

Tax Disadvantages of the C Corp Structure

- **A Double Tax Hit** - A C Corporation's profits are taxed at the corporate level when they are earned. Then, any profits paid as a dividend income to shareholders are taxed again on the shareholder's individual tax returns.



Tax Saving Features of Corporations, S Corporations, and LLCs Cont.

Tax Advantages of the LLC Structure

- **Pass-through taxation** - Single-member LLCs are taxed as sole proprietorships, and multi-member LLCs are taxed as partnerships by default. Therefore, they provide simplicity (and possible cost-advantages, depending on individual income tax rates) of pass-through taxation.
- **Tax flexibility** - LLCs that meet the IRS's eligibility requirements may elect to be treated as an S Corporation for income tax purposes. This may reduce the LLC members' Medicare and Social Security tax obligations because only the owners' salaries and wages are subject to those taxes (profit distributions are not).
- **Flexibility when distributing profits** - LLC members choose how the LLC will divide company profits and losses among its owners. This enables them to consider not only money invested but also time and work invested when distributing profits.

Tax Disadvantages of the LLC Structure

- **Self-Employment tax burden** - All of an LLC's business profits are subject to Social Security and Medicare taxes. This may create an unfavorable financial situation for LLC owners as they must pay self-employment taxes on their distributive share of the LLC's profits, even if invested back into the business.
- **Owners may not be employees** - Members of an LLC cannot be on the company's payroll (unless the LLC is granted S Corp status). Therefore, owners must bear the full burden of self-employment taxes.

Tax Advantages of the S Corp Structure

- **Lessens the Self-employment Tax Burden on LLC Members** - As I mentioned earlier, eligible LLCs may elect to be taxed as an S Corp. What's the advantage of that? Only income paid to LLC members on the payroll is subject to self-employment taxes. Profits paid as distributions are not subject to Social Security and Medicare taxes, so LLC members may find that the S Corporation election lowers owners' personal tax burden.
- **Enables C Corporations to Avoid Double Taxation** - As an S Corporation, a corporation's profits and losses flow through to shareholders' personal tax returns and are taxed at the individual tax rates. The corporate entity does not pay income tax. Shareholders that are employees of the C Corporation only pay self-employment tax on the wages or salaries that the corporation pays them. Dividend income paid to shareholders is not subject to self-employment tax; those monies are taxed as either ordinary income or qualified dividends.

Tax Disadvantages of the S Corp Structure

- **May limit growth potential** - An S Corp cannot have more than 100 shareholders, limiting the number of owners who can invest in the business.
- **Reasonable compensation concerns** - An LLC that elects for S Corp tax treatment must be careful that it pays fair compensation to its owners for the work they perform. If they get paid too low of a salary, it may raise red flags with the IRS.
- **Lack of uniformity at the state level** - S Corporation income taxes are not treated the same in every state. Some states automatically honor the federal S Corp election and provide pass-through taxation, while others might not. It depends on a state's tax code.



Tax Saving Features of Corporations, S Corporations, and LLCs Cont.

Tax Cuts and Jobs Act Effects on Entities

The Tax Cuts and Jobs Act (TCJA), which was signed into law in December of 2017, made tax law changes that affected every business. TCJA has had the most impact on corporations and pass-through business entities.

TCJA Changes for Corporations

C Corporations, for the most part, have experienced positive changes. Highlights of how TCJA has affected them include:

- C Corporations are now taxed at a flat rate of 21 (including personal service companies). (Pre-TCJA, the corporate tax rate was 35 percent.)
- Corporations are no longer required to calculate alternative minimum tax rates. However, they may be able to use AMT credit carryovers until 2021.
- They may still partially deduct dividends, but not as much as before the TCJA.

TCJA Changes for Pass-Through Businesses

Before the Act, taxable income from sole proprietorships, partnerships, S Corporations, and LLCs were passed through to owners and taxed at those individuals' standard rates. Under TCJA, pass-through businesses are still taxed at individual rates, minus a deduction of 20 percent.

The deduction helps to create a lower tax rate for non-corporation businesses. There are some limitations and restrictions, though.

- The deduction must be equal to 20 percent of the QBI earned from the business.
- Much of the business's income is excluded from QBI, thus giving a smaller deduction. (QBI does not include interest, dividends, or capital gains from property sales.)
- The deduction is restricted to the lesser of 20 percent of the QBI or 50 percent of the total W-2 wages paid by the business.
- The 20 percent deduction may not apply for businesses where "the principal asset is the reputation or skill of one or more of its employees or owners." That includes services in the fields of health, law, accounting, actuarial science, performing arts, consulting, athletics, financial services, investing and investment management, and trading.

Choosing the Right Entity Type for Your Business

So, with all of that information to consider, what else should business owners think about when deciding on a business structure? Here are some questions that can help:

- Does the business owner have personal assets?

- Are they concerned about personal liability?
- Do they need to live off of the business' profits each year?
- Do they want to keep paperwork and administration as simple as possible?
- Do they want to keep the business forever?

Answering these can help shed light on which business entity will offer the best outcomes. Business owners should enlist the expertise of an attorney and accountant or tax advisor to learn how a business structure will affect them legally and financially.

Self-Employed Individuals and Self-Employment Tax

Currently, the self-employment (SE) tax rate is 15.3 percent, which includes a 12.4 percent Social Security tax and a 2.9 percent Medicare tax (higher if earnings reach certain thresholds). How might forming an LLC or S Corporation affect business owners' SE taxes?

Limited Liability Considerations

- All profits are claimed on LLC members' individual tax returns. Members pay the full 15.3 percent SE tax on their income from the business (except for members who are not active in the 'operation of the company').
- LLC members who pay SE tax can deduct half of the total amount from their taxable income.

S Corporation Considerations

- S Corp election allows owners to classify some earnings as salaries and some as distributions.
- Owners who are employees of the S Corp are liable for the 15.3 percent SE taxes and income tax on salaries, but only regular tax (not SE tax) on distributions.

Steps to Get Started

Generally, it's best for businesses to incorporate in the state where they are physically located. However, some business owners choose to incorporate in a different state if they believe it has a favorable tax and legal environment.

For example:

- Nevada and Wyoming don't levy a state corporate income tax or a state personal income tax.
- Delaware doesn't have a corporate income tax for businesses formed there and no personal income tax on non-residents.
- Delaware has a separate court system for businesses and individuals.

Tax Saving Features of Corporations, S Corporations, and LLCs Cont.

No matter where a business will be registered, many of the legal steps are the same:

Steps to Form a C Corporation

1. Conduct a business name search and choose a name.
2. Name a registered agent to accept service of process on the corporation's behalf.
3. Draft Articles of Incorporation.
4. File Articles of Incorporation with the state.
5. Write up corporate bylaws.
6. Apply for a Federal Tax ID Number.
7. File an initial report (if required).
8. Start a corporate records book.
9. Hold your first board meeting.
10. Complete additional federal, state, and local requirements.
11. Comply with all licensing and zoning laws.
12. Stay compliant annually by filing annual reports.

Steps to Form an LLC

1. Conduct a business name search and choose a name.
2. File Articles of Organization.
3. Choose a registered agent.
4. Decide on member vs. manager management.
5. Create an LLC operating agreement.
6. Apply and obtain a Federal Tax ID Number.
7. File an initial report (if required).
8. Complete additional federal, state, and local requirements.
9. Comply with all licensing and zoning laws.
10. Stay compliant annually by filing annual reports.

Steps to Elect S Corporation Status

1. Make sure the business is incorporated as a C Corporation or has filed as an LLC before filing for S Corporation election.
2. A C Corporation must submit and file IRS form 2553 (signed by all shareholders).
3. An LLC must submit and file IRS form 2553 (signed by all members).

Additional Resources

Whether you're an accounting professional helping your clients better understand their options or a business owner who wants to learn as much possible about available business entity types, I encourage you to visit in CorpNet's Learning Center for information. Also, tune into the recording of the webinar that this article is based on.

Note that those online sources are for educational purposes only and not to be mistaken for or used as tax, accounting, or legal advice. Every person's and business's situation is unique in some way. For tax, financial, and legal advice, individuals and businesses should consult licensed professionals for guidance when selecting an entity.

After business owners have made an informed choice, CorpNet welcomes the opportunity to assist them in preparing and submitting their:

- State business registration forms
- Initial reports and annual reports
- Federal Tax ID Number (EIN) application
- Business license and permit applications
- S Corporation election



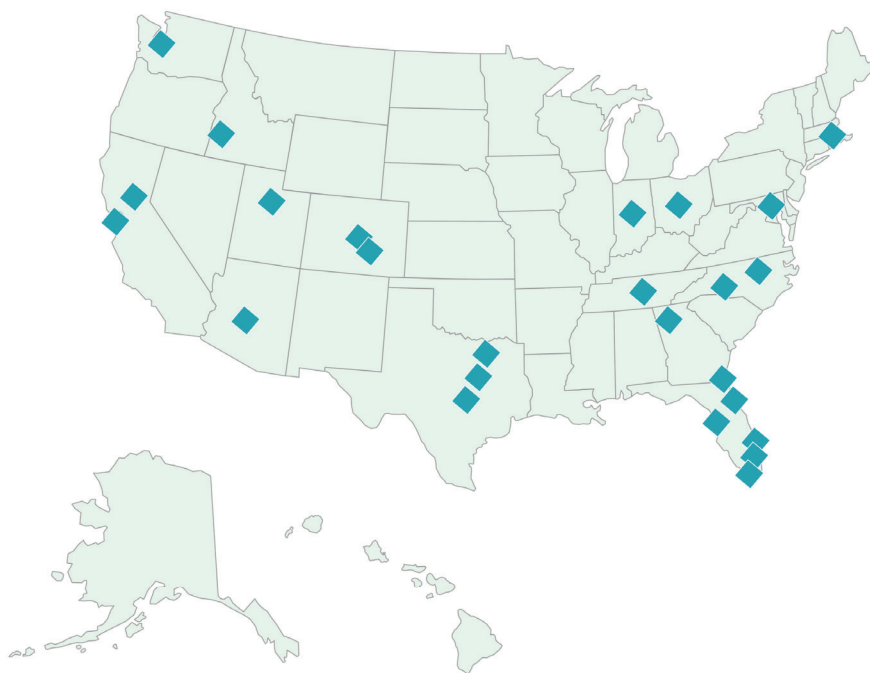
Nellie Akalp is an entrepreneur, small business expert, speaker, and mother of four amazing kids. As CEO of CorpNet.com, she has helped more than half a million entrepreneurs launch their businesses. Akalp is nationally recognized as one of the most prominent experts on small business legal matters, contributing frequently to outlets like Entrepreneur, Forbes, Huffington

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Multifamily Acquisition

Our 25 favorite markets

Rank	Market
1	Raleigh-Durham
2	Austin
3	Charlotte
4	Salt Lake City
5	Phoenix
6	Atlanta
7	Dallas-Forth Worth
8	Orlando
9	Nashville
10	Tampa-St. Petersburg
11	Boise
12	Washington D.C.
13	San Antonio
14	Boston
15	Seattle
16	Indianapolis
17	Denver
18	Palm Beach
19	Colorado Springs
20	Sacramento
21	Fort Lauderdale
22	Columbus
23	Jacksonville
24	Miami
25	San Jose



As job losses mounted at an unprecedented rate at the outset of the pandemic, there was immediate concern we'd see significant spikes in vacancy rates and lease defaults. Government intervention propped up this sector by providing significant fiscal and monetary stimulus, as well as by implementing an eviction moratorium. Consequently, rent collections never dropped below 93% in 2020, as reported by the [National Multifamily Housing Council](#), with final collection rates below, but still close, to 2019.

As the pandemic unfolded, we witnessed a noticeable shift in renter behavior as people migrated from highly populated urban centers to the suburbs in search of larger units and less densely populated multifamily communities. Overall vacancy rates for suburban multifamily declined, with a 6% national vacancy in Q3 2020, and downtown multifamily vacancy increased to around 9%.



CrowdStreet will continue to pursue opportunity in this sector in 2021, with a strong conviction for 18-hour cities in growing secondary markets."

The outlook for multifamily is positive, with favorable target tenant demographics, all-time low interest rates, and a spike in single family values. CrowdStreet will continue to pursue opportunity in this sector in 2021, with a strong conviction for 18-hour cities in growing secondary markets. Cities such as Raleigh-Durham, Austin, Nashville, and Phoenix continue to stand out thanks to their favorable business climates, educated workforces, population growth, and affordability.



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