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Aug 18, 2022
www.turbotenant.com



Webinar

Inspections, Maintenance & Tenant Violations

Presented By: Christian Bryant

Thursday, Sept 22nd

4:30 - 6:30pm

- Members: \$20
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www.roa-swo.com/events

As a landlord, you have plenty of responsibility on your plate. From screening tenants to managing maintenance requests, it's all too easy to forget about the less exciting aspect of the job: the accounting.

But if you want your rental property business to turn a profit, both in the short and long term, nothing is more important than understanding your finances.

The Most Common Rental Property Accounting Mistakes

To help you maximize your bottom line, we're reviewing Home River Group's most common rental property accounting mistakes landlords make (and explaining how to avoid them).

Let's get started!

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Make a Contribution TODAY!



Who is the ROA?

Rental Owners Association of Southwestern Oregon is an organization that's been around for over 30 years and consists of landlords who care about practical, legal and profitable land lording practices. Through the association, they share problems, solutions, and ideas with other landlords and find information that comes from similar organizations in Oregon and around the country.



Our Association is currently comprised of over 200 landlords!

Advertise Your Business in the ROA Newsletter!

The monthly newsletter reaches over 200 landlords who need your products/services to manage their rentals.

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(example not shown)

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Hickey and Shephard Cases Reshape Oregon Landlord/Tenant Law

By **Brad Kraus** | Aug 6, 2022
www.rentalhousingjournal.com



Most of the world understands that the law affects much of our everyday lives. Each person is required to drive a certain speed, pay for items they want, and otherwise conform their conduct to a designed set of rules. Each of these rule sets can be found within statutes crafted by legislatures. Landlords are no different, with most of their Oregon rules found within the Oregon Revised Statutes, specifically Chapter 90.

However, some rules and recommended practices are not found explicitly within the above-mentioned statutes. As much as the legislature tries its best to create understandable statutes, they often fall short, which is where the courts step in for interpretation and clarification of the same. Recently, two cases were released by the Oregon appellate courts interpreting various practices and arguments related to landlord/tenant law.

In late June, the Oregon Court of Appeals released their opinion in *Shephard Investment Group LLC v. Ormandy*, 320 Or App 521 (2022). This case was one I, and many other practitioners, had long been waiting for, as it interpreted the utility-billing-damages provision. For years, tenants' attorneys had asserted that they were entitled to "stack and multiply" their damages. In other words, if a landlord failed to comply with the disclosure requirements set forth in ORS 90.315 for multiple utilities (e.g., water, sewer, and gas), a tenant would be entitled to three separate claims for one month of rent for each month through the applicable statute of limitations. Landlords obviously disagreed, arguing that the statute's damages provision only entitles a tenant to one month's worth of rent or twice the amount of actual damages, whichever is greater, as the statute proscribes.

The Court of Appeals agreed with the landlord's interpretation. An entire review of the opinion would consume many more pages than this article allows.

However, I will say that the tenants' interpretation of the statute led to absurd results and damages claims in the millions of dollars at times, even for the slightest of missteps. No law should ever be interpreted as punitive as tenants' attorneys were interpreting this one, and I am happy to see that the court agreed.

Another case, however, released by the Oregon Supreme Court overturned a favorable decision from the Court of Appeals in *Hickey v. Scott*, 370 Or 97 (2022). This case involves the amounts stated in a non-payment notice under ORS 90.394. In that case, the landlord overstated the amount that was due and owing in their non-payment notice. While the Court of Appeals held for the landlord, the Supreme Court stated as follows:

For the reasons that follow, we conclude that ORS 90.394(3) requires that a notice of termination for nonpayment of rent must specify the correct amount due to cure the default. We further conclude that, when the notice states an incorrect amount that is greater than the amount actually due, the notice is invalid, and any subsequent FED action relying on that notice is likewise invalid and requires dismissal.

While this decision puts more of an onus on the landlord, it should not affect how landlords draft their notices. Non-payment-of-rent notices under ORS 90.394 should only contain full units of rent, with partial payments being a problem. If monies were paid, and those payments apply to a particular month at issue, overstating the amount due and owing could present a fatal defect in the notice. If a landlord is concerned about how those payments apply under the law, it is imperative to consult with an attorney that can assist with application of those payments. This will ensure (a) that a solid notice is served, and (b) that notice is actionable and defensible in any eviction action.



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- Need help?
- Have a question about landlord/tenant law?
- Looking for advice on how to deal with a tenant?

Call the Helpline! Speak to a Property Manager who knows the law inside and out and who can speak from personal experience. FREE to all ROA members of the Southwestern Oregon Chapter.



Calls are returned within one business day between the hours of 7am and 8pm. Helpline is closed weekends and Holidays.

The 4 Most Common Rental Property Accounting Mistakes

continued from page 1

1. Using Your Personal Bank Account

For the uninitiated, using your personal bank account for rental accounting may not seem like a terrible idea – but trust us, it is.

If you use one account to manage your personal and rental property finances, you are setting yourself up for a world of hurt. If something were to happen within your rental business, like an audit from the IRS, and your accounts are mixed, your personal finances could be frozen.

And when it comes to the day-to-day work of managing your business, you're only making things harder for yourself if you don't have separate accounts. Home River Group notes that "separating business and personal expenses from a single bank account is immensely time-consuming," and there are better ways to spend your time (like comparing yourself to the best worst landlords in pop culture, for example).

How to Avoid This Mistake

As REI Hub points out, "separating your personal and business finances is the foundation of easier, stress-free real estate accounting and bookkeeping."

Their article explains that separating your bank accounts:

- Helps you save money by making it easier to claim all your relevant expenses and reduce your tax burden
- Decreases the amount of time spent working on accounting since you can identify at a glance if a charge is deductible as a business expense
- Protects your personal finances and keeps you compliant, especially since it's against the law in many states to mix security deposits with other funds
- Allows you to scale your business by simplifying your accounting process as you increase the number of transactions

While this task may seem daunting, particularly if you've been mixing your accounts for a while, we highly recommend taking the leap and splitting your accounts ASAP. It's better to bite the bullet and fix your accounts sooner rather than later since it may take a bit of time – so don't wait for your next payment to the IRS before getting started.

2. Checking Your Books Infrequently

Procrastinating on accounting doesn't make the process easier. In fact, waiting until the last minute to balance your books could cost you in the form of missing deductions or lacking adequate documentation. According to Nolo, "every \$100 in unclaimed deductions costs the average midlevel landlord (in a 25% tax bracket) \$25 in additional federal income taxes."

\$25 may not seem like that much, but let's put that in perspective. According to our latest State of the Rental Industry report, 43% of our landlords have over 10 years of experience in the industry. If one of those veteran landlords missed out on \$100 in unclaimed deductions every year for 10 years, they would have lost \$2,500.

Additionally, if you expect to owe at least \$1,000 in income tax on your rental profit, you should prepay your taxes to the IRS during the year, Nolo says. Doing so can help you avoid getting slammed with taxes unexpectedly come April. Typically, prepayments are due four times per year on April 15, June 15, September 15, and January 15. If you check your books infrequently, these quarterly dates are sure to inspire panic. Frantic accounting leads to more mistakes being made (and a less-than-fun audit from the IRS)..

How to Avoid This Mistake

Keep more money in your pocket by staying up to date with your financial health and check in often. Home River Group suggests handling your rental property accounting monthly, though we recommend you check on your accounts weekly if possible.

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Form of the Month

FIREPLACE, PELLET STOVE, WOOD STOVE AGREEMENT

63



Tenant(s): _____
 Tenant(s): _____ et al (and all others)
 Address: _____ Unit: _____
 City: _____ OREGON Zip: _____

Use of Wood-Burning Fireplaces and Stoves

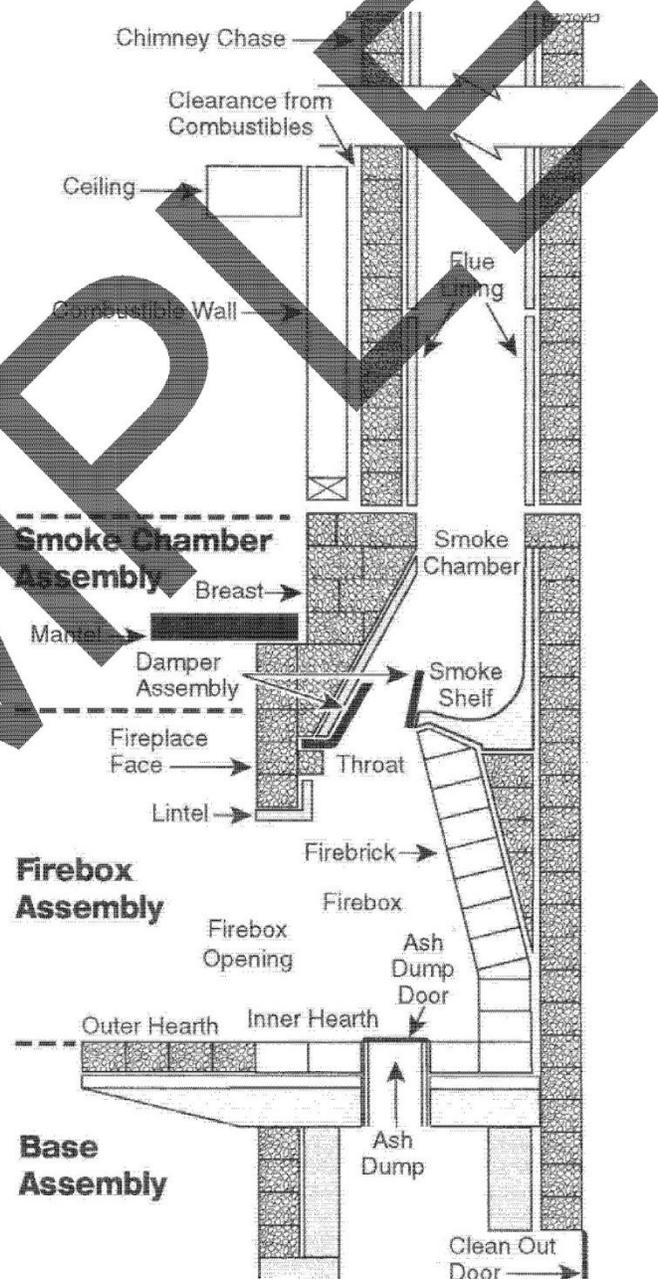
- Open damper fully when starting a fire. Close damper as needed once fire is established to retain heat.
- Do not use accelerants to start fires, use minimal amount of newspaper and kindling as needed
- Only burn dry, seasoned wood
- Do not burn trash, pallets, paper, plastic, junk mail or household items at any time
- Do not let ashes build up in the firebox
- Do not chop wood on hearth

Owner/Agent certifies that fireplace, pellet stove or wood stove system has been professionally cleaned and inspected prior to tenancy, and is safe for normal use at the time of commencement of tenancy.

Should Tenant(s) opt to use the system, they agree to have the system professionally cleaned and inspected at least once per year by a certified professional, and provide documentation to Owner/Agent.

Tenant(s) agree to have the system professionally cleaned and inspected prior to vacating the unit and proof provided to Owner/Agent, or such service shall be performed and cost billed to Tenant(s).

If any component of the fireplace or wood stove does not pass inspection, or any defect is noted upon use, Tenant(s) shall stop using the system and notify Owner/Agent immediately.



63 – Fireplace, Pellet Stove, Wood Stove Agreement

What this form is for:

If your rental property contains a working fireplace, pellet stove or wood stove, use this addendum to describe how the system works and the best practices for preventing damage.

When this form is used:

This form become an addendum to your rental agreement and provides information, diagrams and instructions to educate Tenants on the proper use of your combustion system. It also places restrictions on storage of wood and pellets, requires the Tenant to have the system serviced annually, and educates them on fire safety.

How the form is filled in:

1. Fill in the Tenant(s) name(s) and the property address.
2. Both parties sign and date at the bottom. ◻

NEED FORMS?



ORHA Forms are Available Online!

Oregon Rental Housing Forms are just a click away!

- 1 www.oregonrentalhousing.com
- 2 Click (top right): "Click to Get ORHA Forms Online"
- 3 Input your local association code in the field labeled "Enter Your Member ID" to receive ORHA forms 1/2 PRICE
- 4 Choose a form
- 5 Click on the form
- 6 Input your information
- 7 Click "Generate PDF"
- 8 Click "Check Out" – This will direct you to PayPal
- 9 Follow payment directions. Once complete, PayPal will return to the ORHA Forms page to "Print Link." This link will also be sent to your email address.

Forms Are Also Available to Pick Up!

Two convenient locations. Stop by and purchase updated forms.

2707 Broadway Ave. - OR - 161 Central Ave.
 North Bend, OR 97459 Coos Bay, OR 97420

WE NEED YOU!

The ROA Board is looking for a **Treasurer**. If you are interested in volunteering your time to help out your fellow landlords and affect change in the rental housing industry, we'd love to hear from you. They meet once a month, and you can attend virtually from anywhere.

Contact us at (541) 756-0347 or info@roa-swo.com

The 4 Most Common Rental Property Accounting Mistakes

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3. Not Organizing Your Documents

A 2018 study of small businesses conducted by Staples revealed that 75% of business owners who are struggling or failing said a lack of organization negatively impacted their productivity, and it's easy to understand why. As Small Biz Trends notes in the link above, disorganization "means spending more time and money to remedy problems which start out small but soon grow out of control."

Your challenges as a rental property manager only increase when documentation is hard to find quickly. If you have to evict a tenant, for example, the process is going to be so much more difficult if you can't find records of their nonpayment.

How to Avoid This Mistake

Home River Group recommends keeping a minimum of three files to stay organized:

- A file to manage tax codes and filing proof
- A file to register your capital expenses to offset capital gains taxes
- A file containing your complete set of business bank statements

Pro Tip:

Digitizing your record-keeping with rental property accounting software will help you stay organized and makes finding specific information way easier.



4. Not Using Accounting Software Made for Landlords and Property Managers

Sure, you might have your own tried-and-true spreadsheet or a subscription to QuickBooks – but have you stopped to wonder if there's something better tailored to the property management industry? Rental property accounting is nuanced, and neither your beloved spreadsheet nor QuickBooks offers all the features you need to understand your rental business' expenses, revenue, and profits at a glance.

And if you want to pull a report for a specific property with set parameters, you'll need to either be a tech wizard who can breeze through formulas without breaking a sweat or understand QuickBooks like the back of your hand.

How to Avoid Making This Mistake

Invest in your success by using accounting software designed for landlords.

How Thirdhand Smoke Affects Your Properties

By The Department of Health and Human Services - Tobacco Prevention and Control | Aug 7, 2022

www.rentalhousingjournal.com



The dangers of smoking and exposure to secondhand smoke are well-known. Inhaling nicotine and other toxic chemicals from cigarette smoke can cause illnesses like heart diseases, stroke and cancer.[1]

What isn't as well-known are the effects of thirdhand smoke.

Thirdhand smoke (THS) is the chemical residue that lingers after secondhand smoke has disappeared from the air. While secondhand smoke is a combination of the smoke coming off a cigarette and the smoke exhaled by smokers, thirdhand smoke is the mixture of smoke and toxic chemicals that stick to surfaces and become embedded in household materials.[2] These materials include carpets, walls, furniture, and all surface areas that make up your residents' homes.

Thirdhand smoke lowers the value of your properties by contaminating the carpet, furniture and walls. In fact, a news report from realtor.com revealed that smoking in a home and the resulting damage of thirdhand smoke can reduce property value by 29%.[3]

Creating a smoke-free policy protects your tenants, and your investments, from the costly effects of thirdhand smoke.

Does THS pose a danger to tenants once the home has been deep cleaned?

The short answer: Yes. Thirdhand smoke can linger indoors for years. Despite deep cleaning and renovating, thirdhand smoke can be reemitted through dust and becomes embedded in carpets, furniture, fabric and building materials. Residents, including pets and children, can be exposed to this toxicity by just breathing within the same apartment that a previous smoking tenant occupied and through touching surfaces in past smokers' homes.

New research shows that thirdhand smoke carries a unique chemical compound called 1-(N-methyl-N-nitrosamino)-1-

(3-pyridinyl)-4-butanol (NNA). NNA is one of the many tobacco-specific nitrosamines – a group of cancer-causing compounds found in tobacco products. Tenants are exposed to NNA by touching surfaces polluted by thirdhand smoke or by inhaling dust contaminated with smoke residue.[4]

The U.S. Surgeon General has concluded that there is no safe level of exposure to tobacco smoke, including thirdhand smoke.[5] The greatest line of defense to protect your residents and your properties is to enact a smoke-free policy.

Comprehensive smoking bans are essential for protecting everyone

Thirdhand smoke is toxic to residents and other people entering your properties. It puts renters and their families at risk for a decision they did not choose to make. The benefits of going smoke-free not only support the health and well-being of your residents, but also support the longevity of your properties.

Find out what steps to take to ensure you are creating a healthy place for all to live and work. For more information on smoke-free housing, visit tobaccofreeutah.org. For free resources to help you quit, visit waytoquit.org.

1. [Danger of Tobacco](#), WayToQuit, Accessed July 2022.
2. [Thirdhand Smoke Frequently Asked Questions](#), Thirdhand Smoke Resource Center, Accessed July 2022.
3. [How Much Cigarette Smoke Decreases Resale Value](#), National Association of Realtors, Accessed July 2022.
4. [Major 'third-hand smoke' compound causes DNA damage — and potentially cancer](#), American Chemical Society, Accessed July 2022.
5. [The Health Consequences of Involuntary Exposure to Tobacco Smoke: A Report of the Surgeon General](#). U.S. Department of Health and Human Services (2006), Accessed July 2022.

Welcome New and Returning ROA Members!

Christian Moreno, Farhad Sharifi,
& Andrew Westbrook

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Position #5: Michelle Cantrell
michelle@orbpm.com (541) 808-9040

Position #6: Thaddeus Konar

Ever wonder what goes on at ROA Board meetings? Have any suggestions to share? Interested in joining the board? Bring your thoughts and/or ideas. Or just listen in and see what we're all about.

The ROA Board of Directors meets every month. Meetings are always open to members. Contact us for more information.



roa-swo.com

Contact us at:

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This publication is designed to provide informative material to its readers. It is distributed with the understanding that it does not constitute legal, accounting, or other professional advice. Although the material is intended to be accurate, neither we nor any other party assume liability for loss or damage as a result of reliance on this material. Appropriate legal or accounting advice or other expert assistance should be sought from a professional.

In Case You Missed It: The Move-Out Process & Security Deposit

August 23, 2022

On Tuesday, August 23rd, SWO-ROA hosted Tia Politi for an informative webinar covering The Move-Out Process & Security Deposit reconciliation. The 2-hour class was informative and contained valuable tips for the whole 2 hours. There are a variety of means to regain possession of the property—a written notice to vacate, notice of termination, abandonment, or through the courts.

A tenant may terminate the tenancy by giving the housing provider a written notice no less than 30-days prior to the termination date. There are exceptions to the 30day notice in cases of domestic violence, sexual assault, or stalking.

When receiving notice, or should notice of termination have been served, it is good practice to deliver an acknowledgment and move-out instructions to the tenant before the move-out date. Move-out instructions provide the departing tenant with their responsibilities before they move out. Another helpful tip Tia suggested is to

email a copy of the move-in report to the tenant with the move-out instructions.

While it is not a requirement in Coos County, it is in Portland and coming soon to Eugene; pictures must coincide with the condition report for both move-in and move-outs. If this is not part of your norm, it will benefit one to start now.

The biggest lesson learned during the class is to take your time! We are always in a hurry to get everything done in a day. However, properly documenting the property's condition before and after is crucial. Pictures and videos are worth a thousand words regarding the security deposit.

If you have any questions or concerns about a particular situation, don't hesitate to call the ROA Helpline at (541) 435-1492. It's free to all current members of the Rental Owner's Association of Southwestern Oregon.

Code of Ethics

Excerpt from the Bylaws of the Rental Owners Association of Southwestern Oregon

The objectives of this Association shall be:

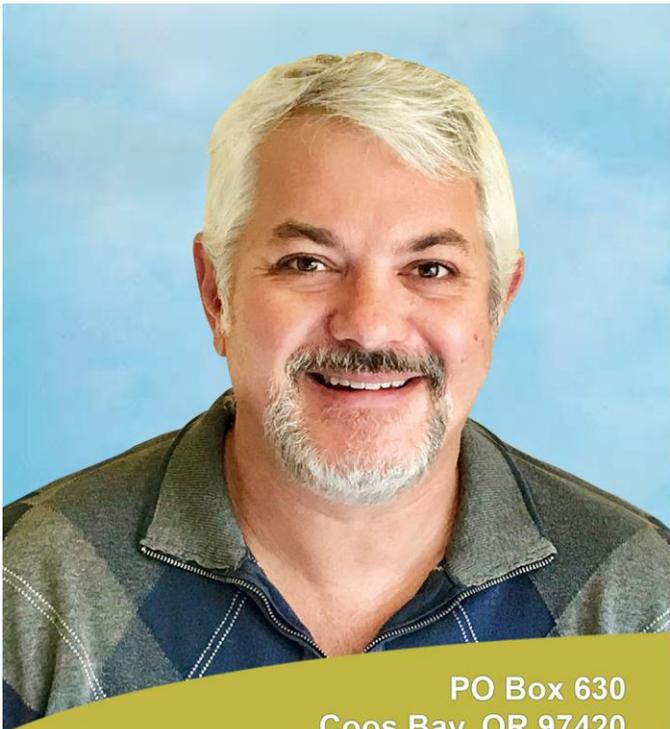
- A. To unite, for their mutual good, rental housing owners, managers and/or their agents in the Southwestern Oregon area.
- B. To strive to maintain those standards of the residential rental industry which are of a high ethical and up-to-date business level.
- C. To stimulate cooperation among rental owners to the end that the best possible service will be rendered to the owners and renters.
- D. To provide appropriate information and educational opportunities on state/federal laws, rules/regulations, policies/procedures and rental housing management.
- E. To cooperate with other organizations having similar goals.





**RENTAL OWNERS
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