

# Orlando Investment Properties

New 2005-06 Legislation for Landlords

Winter 2006

As a new year begins, we want to pass on two important legislative changes that affect property owners throughout the country – disposal of credit records and the SEER rating on air-conditioners and air-handlers.

Known as the “Disposal Rule” and issued by the Federal Trade Commission (FTC), this law requires all businesses, including landlords and employees to take steps to safeguard and eventually destroy credit reports, including any information derived from these reports. This was effective July 1, 2005. The basic components of the law are as the following.

- **Safe retention** – Anyone in possession of a credit report should keep them in a secure location to minimize the chance that someone will use the information for illegal purposes, including identity theft.
- **Destroy unneeded reports** – when reports are no longer necessary, landlords must destroy them.
- **Destroy them routinely** – landlords are to develop a process for destruction of records on an on-going basis.

- **Use an effective destruction method** – landlords must dispose of records properly. Generally, this means they should “shred” records prior to disposal in garbage receptacles, and if there is a large amount, landlords should contract with a qualified shredding service.
- **Computer files are included** – proper maintenance or disposal of records includes any type of computer records.

As you can see, this law definitely affects the housing industry, but can also protect the property owner. Our company takes this seriously and uses the proper steps to keep all records secure, private, and disposed of properly. We caution all investors to take care in maintaining and destroying their records to avoid serious penalties or lawsuits.

The next law, effective January 1, 2006, affects replacement air-conditioners or air-handlers, which now must have a Seasonal Energy Efficiency Rating (SEER) of 13. The previous requirement was a SEER rating of 10. Therefore, any unit requiring replacement after 1/1/2006 will need a rating of 13.

Although this will increase efficiency and reduce pollution, this raises the question, “at what cost?” Costs to air-conditioners or air handlers will increase and it will depend on the type of unit involved. If your property does require a replacement, we will investigate the cost of replacement and notify you.

Here is a press release from the Department of Energy on this new legislation.

WASHINGTON, DC – The Department of Energy (DOE) announced today that it will enforce a 13 seasonal energy efficiency rating or “SEER” standard for residential central

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### **Are You Thinking of Buying or Selling?**

*If you are thinking of buying or selling, we can assist you. Just call and we will have an agent contact you to help you with your Real Estate needs. There is no obligation. Check out your property value today!*

### **Looking for Management Elsewhere?**

You or someone you know may need a property manager in other states. Because of our proud affiliation with FARPM, the Florida Association of Residential Property Management, and NARPM, the National Association of Residential Property Managers, we have contacts throughout the country and may be able to assist you.

### **Keep Us Informed**

If you have a change in your address, telephone numbers, email, or any other important information that would affect your account with us, please notify us as soon as possible so that we can give you the very best service possible. Thank you in advance for your assistance.

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air conditioners. This standard, which will apply to central air conditioners starting in January 2006, increases by 30 percent the SEER standard that applies to models sold today.

“At this point, all parties have had their day in court,” Assistant Secretary for Energy Efficiency and Renewable Energy David Garman said. “DOE will enforce the 13 SEER standard. In the interest of giving consumers and industry the regulatory certainty they need, it is time for the government and for private parties to stop litigating, and start working towards complying with the 13 SEER standard.”

The Energy Department had promulgated a 12 SEER standard in 2002, but earlier this year, the U.S. Court of Appeals for the Second Circuit ruled that the department had done so improperly. The air conditioner manufacturing industry had challenged the 13 SEER, which DOE had issued in January 2001, but recently withdrew its challenge.”

Keeping you informed on new legislation is “*Protecting Your Investment.*”

***Have a happy and prosperous New Year!***

### **Tax Deductions**

With the 2005 coming to a close, it is important to look for all the tax deductions. Here are five important tax deductions to consider.

1. Interest - mortgage interest is a major deduction for landlords. Interest on credit cards for goods or services used in a rental activity are also deductible.
2. Management fees - fees that you pay during the year are fully deductible.
3. Repairs and maintenance - these are also deductible in the year they occur.
4. Losses - if your rental property has been damaged or destroyed, you are probably eligible for deductions due to “casualty” losses.
5. Depreciation - check on your eligibility for depreciation, which is a portion of the cost of the property over several years. Also, investigate depreciation for “major improvements,” such as a roof replacement.