

## Reporting Rental Income in Chapter 13.

Net income from rental property is properly disclosed on Schedule I, Line 8a.

The total net income from all rental property and from operating a business, profession, or farm is reported on Line 8a. The debtor is to attach a statement **for each property and business** showing gross receipts, ordinary and necessary business expenses, and the total monthly net income.

The debtor must account for mortgage payments, real estate taxes, maintenance, insurance and other expenses not paid by the tenants.

If the debtor is not proposing a 100% repayment plan the debtor must demonstrate that the rental property generates positive cash flow over the life of the plan including mortgage arrears if any.

The analysis must be:

Total Gross Rent over the entire term of the plan

Less

All debt service paid under the plan in Sections Section C and/or E2 and/or E3.1 and/or E5

Less

Payment of real estate taxes and insurance if not escrowed over the entire term of the plan

Less

Normal monthly maintenance expenses including association fees if any over the entire term of the plan.

The Net result must be positive.

If the net result is negative, the rental property is not necessary to the debtor's reorganization; in fact it is detrimental to the debtor's reorganization. The debtor will not be able to overcome the trustee's objection that the debtor is not contributing all of their disposable income to fund the plan.

Of course, 100% plans cure all these problems.