Traveling Retirees Get Bargain, New Friends

BY MARJORIE MEGIVERN

If Ruth and Archie Farr seem particularly hospitable and gracious, it may be because they've had lots of practice. They have welcomed a dozen strangers into their home every year for the past six years and still enjoy making new acquaintances.

Not that the Calabash couple have the welcome mat out for anyone who might drop by. They belong to the Evergreen Bed and Breakfast Club, an organization that helps pair hosts and travelers across the United States.

"We first heard about this when we lived in Pittsburgh," Ruth explained, "when a *Pittsburgh Press* columnist wrote about it, and we said we wanted to be part of it when we retired."

As soon as the Farrs moved to Hunters Trace, a Calabash subdivision, six years ago, they joined the club, anticipating considerable travel to visit children in Florida, Oklahoma and California. The move to Brunswick County, however, was due to the proximity of a daughter in Myrtle Beach.

"This is a wonderful arrangement and we haven't had any bad experiences with it either way," Ruth said of their bed and breakfast club. "Since membership is limited to people age 50 and over, you have a lot in common with everyone you meet. Also, you get a certain class of people, because they're all willing to open their homes."

The annual fee for membership in Evergreen is $50, and the resulting savings in overnight accommodations are considerable. A couple pays just $15 a night, which includes a breakfast of your choice. "If you want something light, that's what you get," Ruth said. In exchange for this bargain, you are obligated, as a club member, to take traveling members into your home, when convenient. The only club restriction is that you cannot stay in a home longer than three nights. However, an individual host may add such stipulations as "no pets" or "no smoking."

STAFF PHOTO BY MARJORIE MEGIVERN

THE FARRS relax between trips or between visitors in the living room of their haven for senior travelers.

Applicants for membership must send photos of their home and inspections are promised, but Archie said, "They never inspected us." He added that one bad report on a home would mean cancellation of the membership.

A directory provided club members and updated annually, lists members by state and includes brief descriptions of their location and nearby attractions. Some entries also tell prospective guests, "Resident parrot." "Some Hungarian and Lithuanian spoken," and, "Hosts enjoy antiques, sports, nature and birding."

Members also receive a pocket road atlas of the United States and seasonal newsletters.

Archie told of a new service just organized by the nine-year-old Evergreen Club. "Now you can belong to what they call the Travel Club," he said. "if you want to be a guest but can't or don't want to be a host." The overnight charge for these one-way people is $24.

The two were enthusiastic about the hospitality they have received in club members' homes. "They always steer you to good restaurants and are very helpful, even though no one is required to entertain guests," Ruth said.

Most recently the Farrs visited in a San Jose, California home while attending a family wedding. "The woman had to work and her husband was in the hospital when we arrived," Archie related. "but she just gave us the keys to the house and was so gracious. She even drove us to church and took us to the airport."

They had a "small world" experience one year when they reserved a bed and breakfast in Orlando. "Just before we were to leave for Florida, we got a call from the hosts who said they had to leave town and couldn't have us," Archie said. "However, they had asked a sister to take us in and she was delightful."

Ruth put in, "That's not the end of the story. A year later, we stayed in a Virginia home. Soon after we arrived and were getting acquainted we noticed the familiarity of our hosts' name and discovered these were the people who backed out on us in Orlando. They had now moved to Virginia."

The Evergreen directory, with more than 500 entries, indicates only 11 club members in North Carolina, five of these in Henderson. In Brunswick County, only the Farrs are listed. The membership extends beyond the United States, with listings in Australia, England, France, Mexico, New Zealand and Australia.

"There aren't nearly enough in North Carolina and the coastal area," Ruth said. She and her husband both recommended the experience.

Understanding The Tax Treatment Of Vacation Rentals

The Browns always wanted a quiet little cottage on a lake. They love the outdoors and look forward to spending leisurely weekends away from the city.

The Conklins just bought a condo near their favorite ski resort. They will have to stretch their finances to make ends meet, but they hope to rent their condo some of the time to help pay the bills.

The Stewarts are investors. They bought a vacation home at the seashore. It's situated in a popular area that should command a good rent. And, hopefully, they'll be able to spend a few weekends there themselves.

These families all view their vacation homes differently–and so will the IRS. According to the North Carolina Association of CPAs, the tax treatment of a vacation home depends primarily on how often it is used for personal pleasure and how often it is rented.

If, like the Browns, your vacation home is used strictly for your pleasure, you can deduct your mortgage interest and real estate taxes, just as you do on your primary residence.

When rent your home part of the time, the tax treatment varies according to how often you rent it out and how often you personally use it. If the Conklins, who bought the condo on the slopes, rent their vacation home for less than 15 days a year, the rental income they earn is tax-free. They don't even have to report it. What's more, the Conklins get to deduct mortgage interest and property taxes just as the Browns did. But any related rental expenses cannot be deducted.

But what happens when the Conklins rent their home for more than two weeks? Here, the answer becomes a little more complicated. If the Conklins' personal use of the condo exceeds the greater of 14 days or 10 percent of the time that it is actually rented at fair market value, their vacation home is still considered a second residence. As such, the mortgage interest and property taxes they can attribute to their personal use remain tax-deductible. Other expenses–including a portion of the cost of utilities, repairs and insurance related to the time the house is rented–are deductible rental expenses.

Under the IRS formula, expenses must be allocated to rental use based on the ratio of rental days to total use days. However, the tax court has rejected this formula; its position is that mortgage interest and real estate taxes should have a separate allocation based on the number of rental days by the total days in the year.

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In any case, because the Conklins' home is not considered a rental property, deductions for rental expenses are basically limited to the income received from the property. In other words, if the Conklins run up $20,000 in rental expenses and receive $15,000 income, they can deduct only $15,000 worth of their expenses. The Conklins cannot use their tax loss to shelter other income However, the extra $5,000 can be carried forward to a future year to offset any excess rental income deducted in a prescribed order–you must deduct (1) interest, taxes, and casualty losses first, then (2) insurance, utilities, repairs, and other operating expenses, and finally (3) depreciation.

Rental Property

The story is quite different for the Stewarts. As long as they limit their personal use of their seaside home to 14 days a year, or 10 percent of the number of days their home is rented at fair market value–whichever is greater–their house qualifies as rental property. (Any days the Stewarts spend performing repair or maintenance work on the home does not count as personal use.)

In addition to deductions for mortgage interest and property taxes, owners of rental property may be able to deduct utilities, maintenance, insurance, depreciation, and other operating expenses. Like the Conklins, the Stewarts must allocate their expenses based on the ratio of rental days to total use days. But in the Stewarts' case, because the home does not qualify as a second residence, the portion of the mortgage interest attributed to their personal use is considered consumer interest, which is no longer deductible. The personal portion of property taxes remains deductible.

Since the Stewarts' house is a rental property in the eyes of the IRS, they may be able to deduct rental expenses in excess of rental income. If the Stewarts sustain a tax loss, they may be able to use the loss to shelter the family's salary and other income. To quality, the Stewarts' adjusted gross income must be under $100,000 and they must actively manage their property. If the Stewarts qualify, they can deduct $25,000 of passive losses against other kinds of income–including salaries. The $25,000 allowance is gradually phased out by the time an investor's adjusted gross income reaches $150,000.

The rules governing vacation homes can be tricky–but knowing the rules allows you to make the most of your second home.

BEACON FILE PHOTO

Leland Festival Scheduled

OLE TIMEY FESTIVAL will provide a day of fun again this year in the Leland Park. Scheduled for September 21, 9 a.m.-6 p.m., it will feature old-fashioned costumes, crafts, food and entertainment. Lanette Batchelor is pictured arranging a display of her bear family for last year's event. Call Jean Speight (919)371-9411 for information.