

P&Z Environment

Taxes and CO-OP Business

Taxes & CO-OP Business

How are properties chosen?

- Our team of experienced real estate experts look for opportunities in the US using two methods.
 - Existing Properties
 - These properties range from apartment buildings to single family homes with high rental rates. Each property is up to code, taxes, and utilities paid up to date, then rented to well vetted tenants.
 - New Properties
 - In keeping with our mission to bring Innovative, accessible blockchain based opportunities to investors, business owners, employees, and their families, and our value of Community, P&Z Investments building experts contract with small local builders to purchase newly constructed property upon completion.
 - These properties are single and multi-family homes built to a high standard then rented to well vetted tenants. Bringing opportunity to the local community while providing access to broad investment opportunities.

How do taxes work?

- You are required to report rental income you receive to the IRS
- Taxes are filed with a K-1 form that we complete for you and send to the IRS. You will receive a filled-out copy as well
 - Rental income is taxed as regular income and capital gains tax applies once you sell your tokens for a gain or loss.
- You will receive a separate K-1 form for each property you invest in. The K-1 forms are prefilled out and you only need to fill in a couple of fields on your personal income tax Form-1040
- You are also responsible for filing state taxes in the states that the properties are located in.
 - Alaska, Florida, Nevada, New Hampshire, South Dakota, Tennessee, Texas, Washington, and Wyoming don't have state income taxes, so in these states, you do not have to worry about filing state income tax.
 - Always consult your own legal or tax professional and make decisions based on your own comfort and risk assessment.
- Non-US Residents
 - If you are located outside the US, you will be subjected to withholding taxes when you try to sell your tokens for a gain or withdraw your rental income. Some countries have Tax treaties with the USA, so if your country has one and you don't want to pay withholding taxes, you will need to complete a Form W-8BEN, for individuals, and Form W-8BEN-E, if you invested as a business entity, and send it to document@pzcoop.com, as separate attachments in the email, before you withdraw rental income or decide to sell your tokens. This process is only available for foreign entities or individuals who have an SSN or ITIN within the USA. If you do not possess one of these numbers, you will have to be subjected to foreign withholding taxes.

What happens if there is negative cash flow due to loss of renter or unplanned expenses?

- Given that all properties are purchased in full by the CO-OPs and there is a cash reserve for each property to cover both planned and unplanned expenses. It is unlikely that negative cash flow would be more than a short-term occurrence.
- If expenses or negative cash flow ever exceeded the cash reserve and operating expense

P&Z Environment

budget, P&Z would make a short-term loan from our corporate entity to the individual home and the CO-OP will repay the loan with future rental payments.

- P&Z will not do a capital call to investors, though short term cash flows may be lower until the loan is repaid, or the reserves are replenished.
 - Members can hold a vote and agree to their own capital call to cover the loan.

Will I lose my tokens if P&Z goes out of business?

- P&Z CO-OP is not a company that owns the asset or assets in which you are investing.
- Each LLC would continue to remain in existence as a separate legal entity for property holding, tax, accounting, liability, and member ownership purposes.
- No matter what happens to P&Z CO-OP, the property tokens of the LLC which owns the property remain intact.
- Your ownership is still represented and could be transferred in the market, as needed, so long as applicable securities transfer rules are complied with.
- If P&Z CO-OP ceases to exist (absolutely not our goal), a new Managing Member of the LLC would be appointed. This could be a lawyer on a temporary basis, an accountant, or even the largest token holder.
- If P&Z CO-OP is no longer in business, then we would not be able to purchase the tokens back and provide liquidity, so please be aware of this risk. With that said, the tokens still entitle you to your share of the property, so your interest will still be protected in the form of property ownership. If the property were voted on by the token owners for liquidation, you would still be able to recover your investment plus any gains from the sale.

Who legally has ownership of these properties?

- When you purchase tokens in a P&Z CO-OP property offering, you are joining a CO-OP and directly buying a membership interest in the individual LLC that owns that property asset. If you purchase 1% of the tokens in a single property offering, you would then be entitled to 1% of the economic interests of the asset over time, which may include income from rent or property value appreciation.
- As an owner, am I liable if any lawsuits/accidents occur at the property?
 - No. Each home is owned through a limited liability company structure (LLC) to protect owners from personal liability. The most you could lose is your original investment.
 - Provided the limited liability shield is maintained and the property is adequately insured (these items are required to be part of our platform)

Are P&Z purchases purchased using debt?

- P&Z CO-OP properties are purchased with all cash. No debt.

Who owns the properties listed in the P&Z marketplace?

- When you purchase tokens in a Lofty property offering, you are directly buying a membership interest in the individual LLC that is contracted to buy and will own that property asset.
- For example, if you purchase 1% of the tokens in a single home offering, you would then be entitled to 1% of the economic interests of the asset over time, which may include income from rent or property value appreciation.

How long after I pay will I receive tokens in my wallet?

- If you pay with a credit card or crypto, you will receive your tokens immediately to your wallet. This assumes that you have followed the instructions displayed on the dashboard after purchasing your tokens to add the asset and link your wallet to our app.
- If you add the asset to your wallet at a later point in time, you will receive your tokens within the hour via a script that runs throughout the day sending outstanding tokens to owners.

P&Z Environment

- If you pay via ACH, you will receive your tokens after the payment clears on our end just in case your payment is rejected as we do not have a Clawback feature.

Does the price of MATIC affect the price of P&Z tokens?

- No, P&Z tokens are based on the value of the property offering itself.
- The value of P&Z tokens has nothing to do with the value of MATIC and will not have the same volatility.

What is the MetaMask wallet and why do I need one?

- Team, please assist on this one.

Can I do a 1031 Exchange with P&Z properties?

- Currently, it is not possible to do a 1031 exchange into or out of P&Z properties.

How do we ensure each LLC owns the deed on its property?

- All ownership documentation is available online, accessible within your marketplace account.
- You can also find these documents in the assets overview section of your P&Z dashboard.
 - Each property has a link to a shared folder with all appropriate documents.

How can I track the performance of my property?

- All owners have their own dashboard, called Assets Overview, where you can see how many tokens you hold and their current principal value, which will adjust automatically each month starting after the token offering is complete.
- Here you will see income added to your account along with records of your transactions.

How long are properties held before they are sold?

- The owners of the property decide if and when to sell through the P&Z governance system.
- Once a property is sold, owners receive their returns equal to the (total sold price + cash reserve - selling fees) divided by their percentage ownership in the property.

What happens if the property doesn't sell fully by the deadline on the website?

- If this occurs, we reach out to the seller and ask them to extend the closing deadline, which would be commonly accepted. In this case the property remains in our marketplace until the new closing date.
- If the seller is not willing to extend the closing date, we will fully refund all investors who purchased tokens in the property. We then cancel the listing and remove it from our website

Unique solution ID: #1006

Author: Cory

Last update: 2022-11-17 03:21