

Lease Agreements with Friends and Family Members

Do you have a lease agreement with a friend or family member for the purposes of collecting Basic Allowance for Housing (BAH)? If so, you need to ensure that you are paying that friend or family member the amount that you listed for rent on your lease agreement. Otherwise, if you are collecting the BAH for that lease agreement and are not actually paying rent, you are committing fraud against the government by putting in a claim for money that you are not entitled to. Submitting a false BAH claim is fraud and is punishable by the Uniform Code of Military Justice.

BAH Fraud is something that the military takes very seriously. For instance, there was a case in 2006 in which several sailors faced charges for arranging false marriages to foreign women in order to boost their housing allowances. The fraud cost the military \$35,000 in housing allowances to the Servicemembers. As a result, the sailors faced up to five years in prison for each count of fraud. In the most serious cases, the penalty is up to ten years imprisonment and a dishonorable discharge.

It is also helpful to know that receiving rent payments is a form of income. This means that the person you have a lease agreement with is required to report the amount of rent earned from the lease agreement as income when he or she files his or her income taxes with the Internal Revenue Service (IRS). They do not, however, need to report any money that they did not receive.

Whether a person has a lease agreement with someone they are receiving rent from or not, rental income is reportable to the IRS as income and has a special form to use when reporting it. There are some complicated rules about deductions that can be taken, and the individual receiving rental income should seek professional tax assistance when getting ready to file. The tax assistance does not need to be ongoing, but there should at least be an initial consultation with a tax professional to explain the rules and consequences of renting out one's property.