

Real Estate Connection presents:

**Tax Cuts? What They Mean for
the Real Estate Industry**





Panelists

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Tim Kalberg

Shareholder
Perkins & Co



Brigitte Sutherland

Shareholder
Perkins & Co



Dan Eller

Shareholder
Schwabe, Williamson & Wyatt



Kim Spaulding

Tax Senior Manager
Perkins & Co

Tax Simplification?



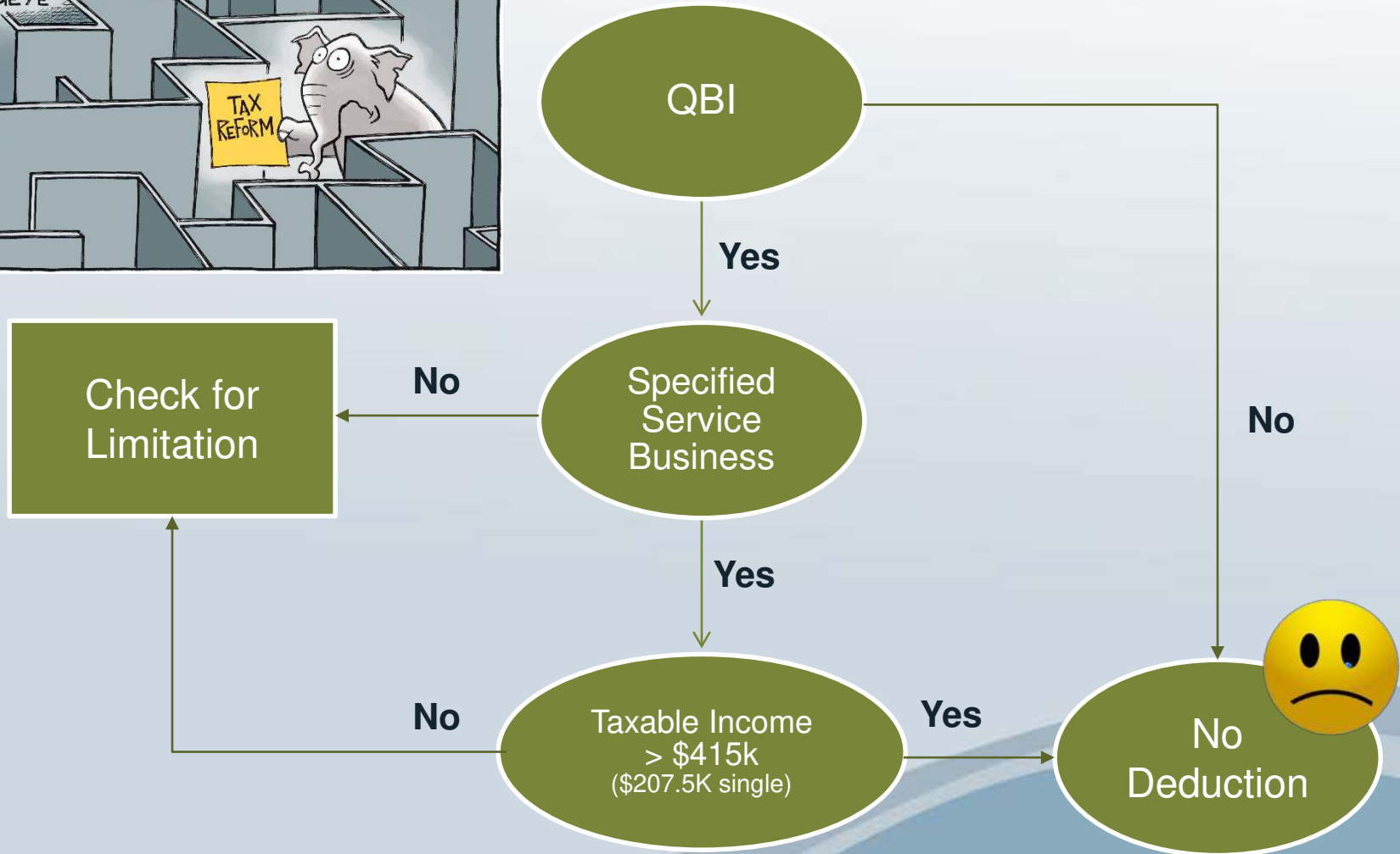
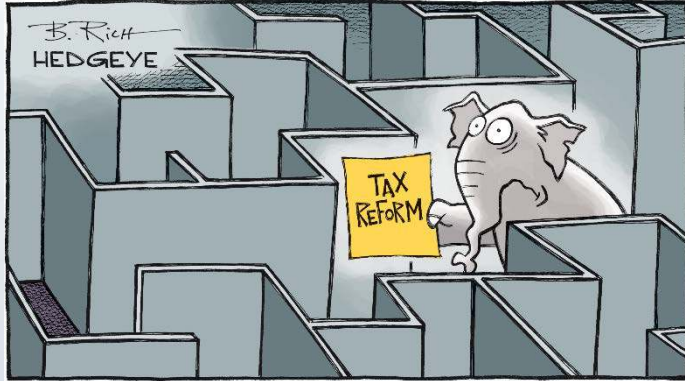
From This



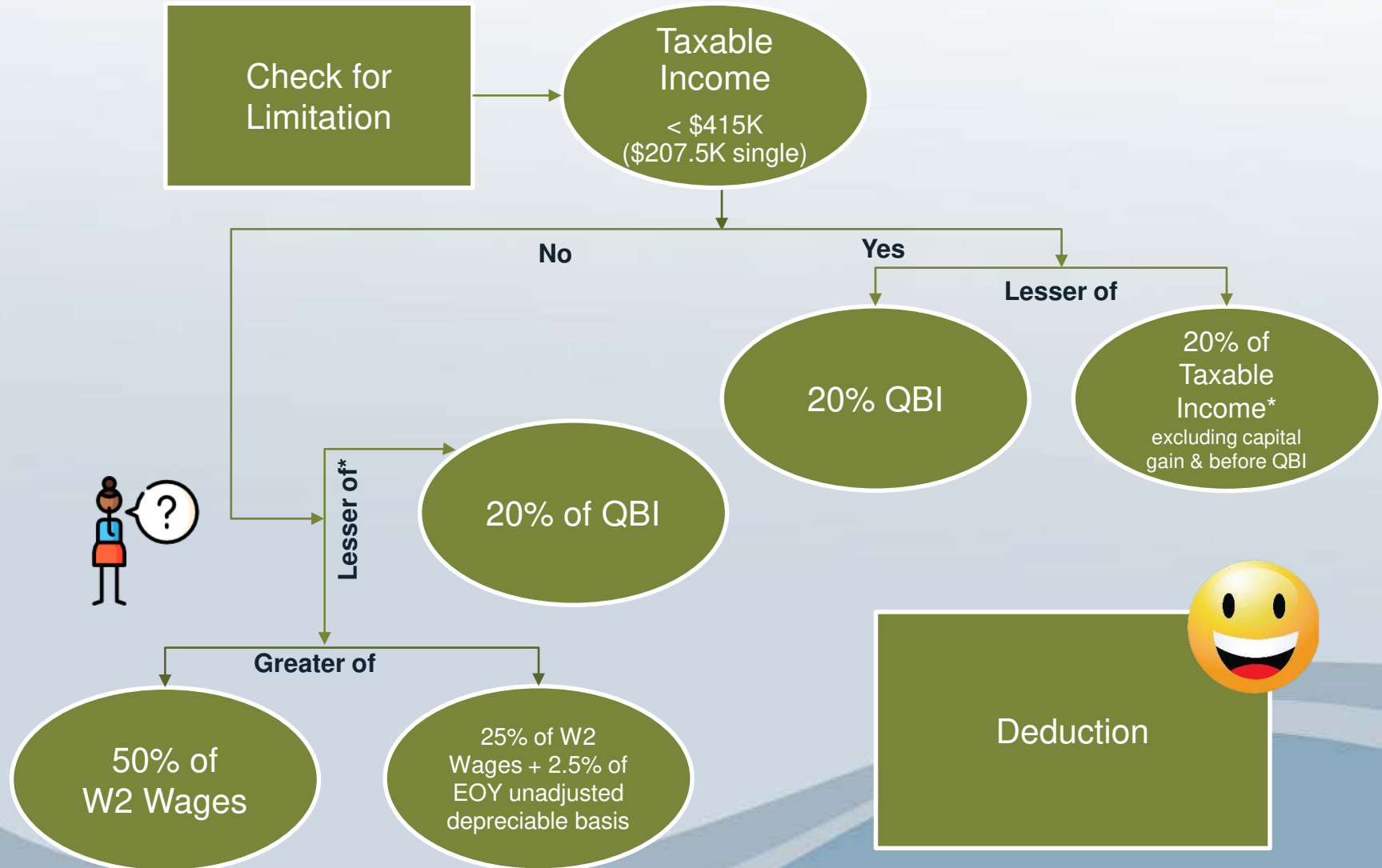
To This?



20% Deduction – Qualified Business Income (QBI)

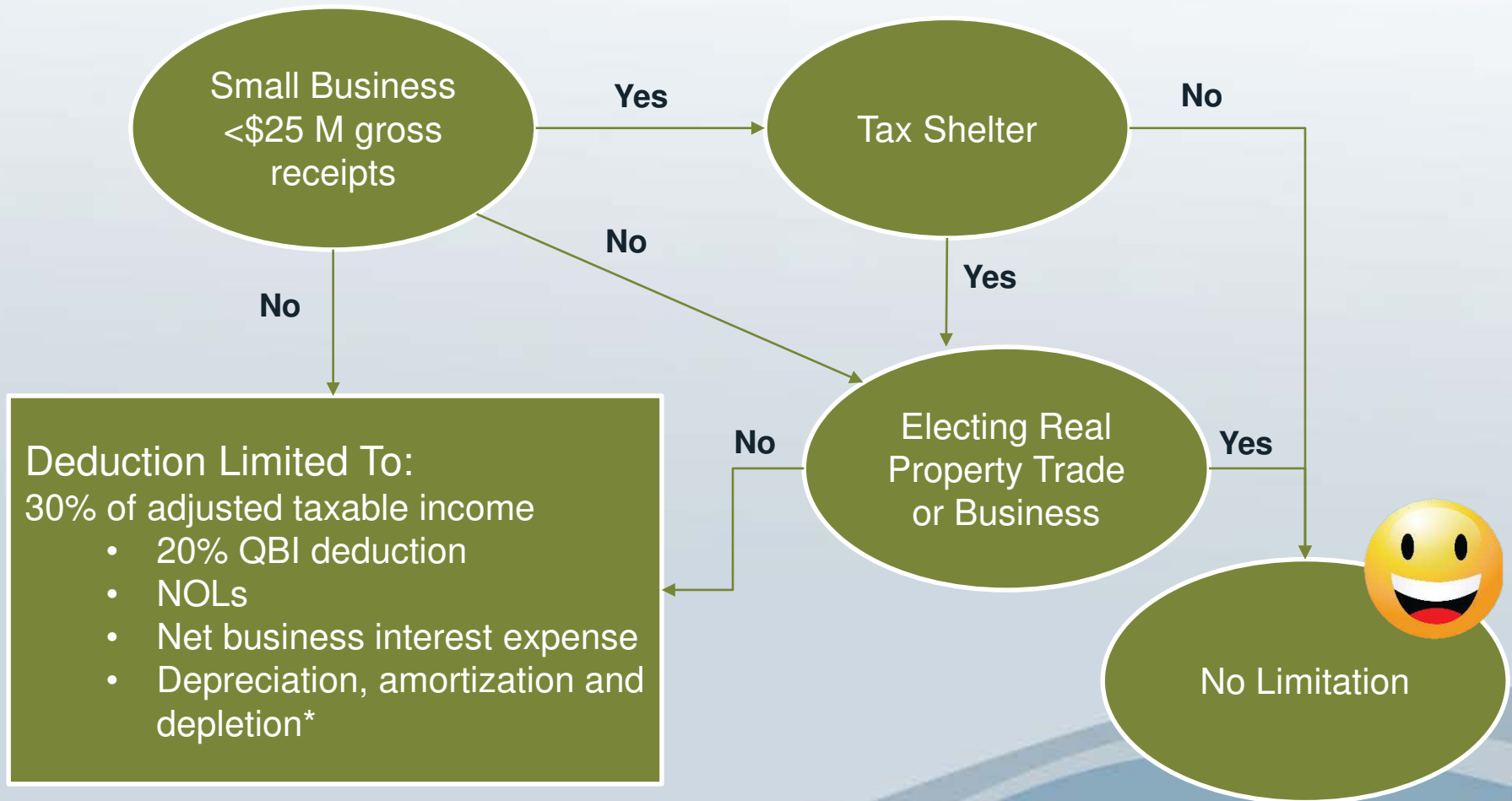


20% Deduction – Qualified Business Income (QBI)



*Deduction still limited to 20% of taxable income

Business Interest Expense Limitation



*Only applicable to tax years before 2022

Case Study Example – Business Losses



- › H is a sole proprietor and W is an employee; they have two children

Income Source	Amount
W2 Wages	\$400,000
Interest & Dividends	\$25,000
ST Capital Gains	\$175,000
Sch C Loss	<u>(\$600,000)</u>
Total Income	\$0

Case Study Example Cont'd – Business Losses



2017 Itemized Deductions	Amount
State Income Taxes	\$40,000
Property Taxes	\$7,500
Mortgage Interest	\$12,000
Charitable Donations	<u>\$5,000</u>
Total Before Limitations	\$64,500
Less: Charitable Limitation	(\$5,000)
Less: Pease Limitation	<u>(\$0)</u>
Total Itemized Deductions	\$59,500

2018 Itemized Deductions	Amount
State Income Taxes	\$40,000
Property Taxes	\$7,500
Less: Taxes Capped at \$10k	(\$37,500)
Mortgage Interest	\$12,000
Charitable Donations	<u>\$5,000</u>
Total Before Limitations	\$27,000
Less: Charitable Limitation	\$0
Less: Pease Limitation	\$0
Total Itemized Deductions	\$27,000

Case Study Example Cont'd – Business Losses



Federal	2017	2018	Difference
Adjusted Gross Income	\$0	*\$100,000	\$100,000
Personal Exemptions	(\$16,200)	\$0	\$16,200
Itemized Deductions	<u>(\$59,500)</u>	<u>(\$27,000)</u>	<u>\$32,500</u>
Taxable Income	(\$75,700)	\$73,000	\$148,700
Income Tax	\$0	\$8,380	\$8,380
Child Tax Credit	<u>(\$2,000)</u>	<u>(\$4,000)</u>	<u>(\$2,000)</u>
Tax Due/(Refunded)	(\$2,000)	\$4,380	\$6,380

*Sch C losses limited to \$500k. \$100k NOL CF to 2019



Case Study Example – NOL



- › H is a sole proprietor and W is an employee; they have two children

Income Source	2018	2019
W2 Wages	\$400,000	\$400,000
Interest & Dividends	\$25,000	\$25,000
Sch C Income/(Loss)	<u>(\$900,000)</u>	<u>\$99,000</u>
Total Income	(\$475,000)	\$524,000



Case Study Example Cont'd – NOL



Itemized Deductions – 2018 & 2019	Amount
State Income Taxes	\$40,000
Property Taxes	\$7,500
Less: Taxes Capped at \$10K	(\$37,500)
Mortgage Interest	<u>\$12,000</u>
Total Itemized Deductions	\$22,000

- › Standard Deduction \$24K higher than Itemized

Case Study Example Cont'd – NOL



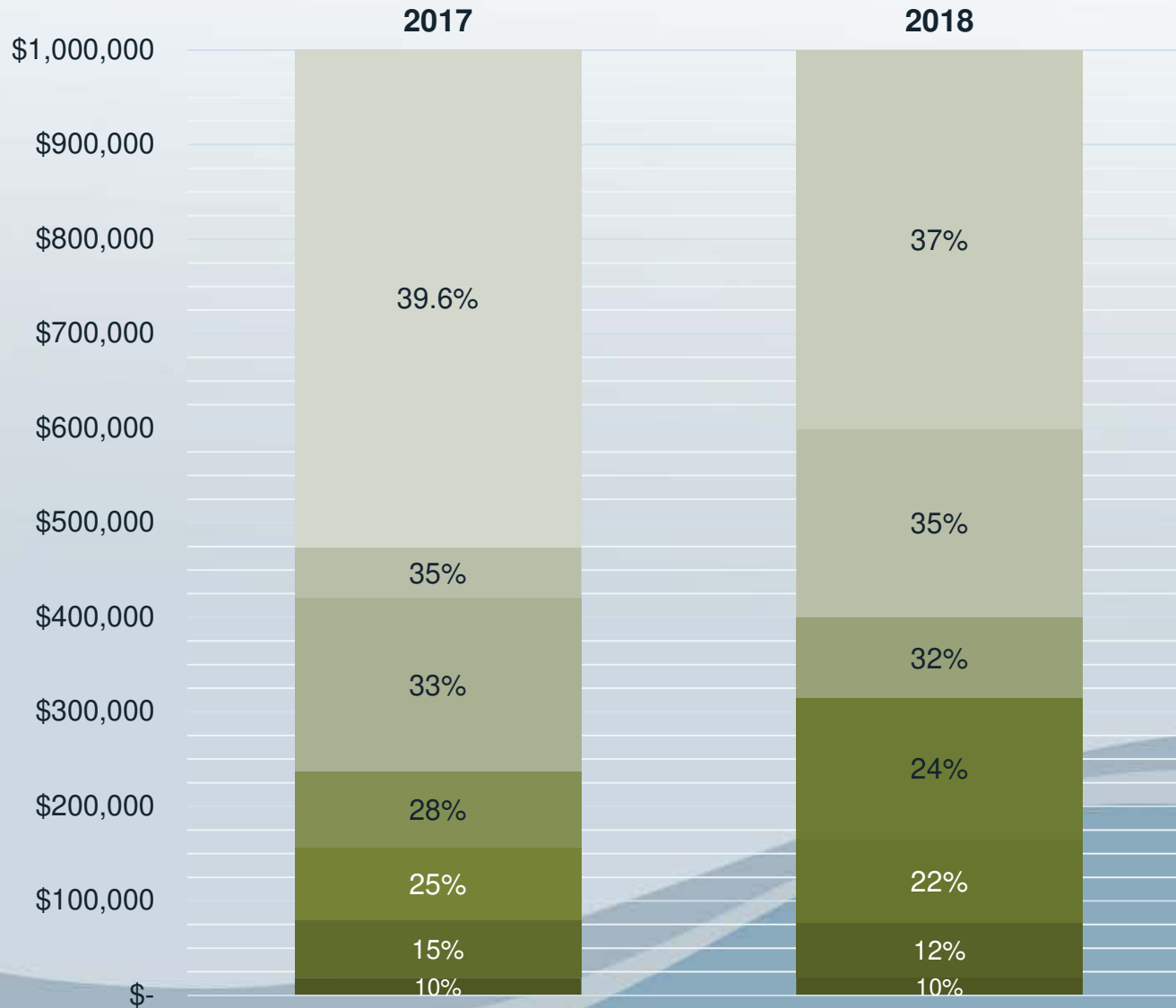
Federal	2018	2019
Adjusted Gross Income	(75,000)*	\$74,000***
Standard Deductions	<u>(\$24,000)</u>	<u>(\$24,000)</u>
Taxable Income	(\$99,000)	\$50,000
Income Tax	\$0	\$5,620
Child Tax Credit	<u>(\$2,800)**</u>	<u>(\$4,000)</u>
Tax Due/(Refunded)	(\$2,800)	\$1,620

*Business losses limited to \$500K. \$475K NOL CF to 2019.

** Refundable child tax credit \$1,400 per child.

*** NOL from excess business loss limited to 90% of taxable income. \$25K remaining NOL CF to 2020.

Married Filing Jointly Rates





Questions?

