

2017 Tax Reform – Real Estate

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SEPTEMBER 13, 2018

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LENDING AND SERVICING INSTITUTE

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Enactment Information & Today's Agenda

- Tax Cuts and Jobs Act (P.L. 115-97).
- Generally effective 12/22/2017.
- We have 30 minutes for a 75 minute presentation.
- Please note there's more information in these slides than will be discussed today.

Today's Agenda

- **Today's talking points:**
 - (1) tax changes for "C" corporations;
 - (2) some basic changes for individuals on their Form 1040's;
 - (3) the new §199A 20% deduction for pass-through entities;
 - (4) Opportunities Zones & 1031's;
 - (5) short term gain on certain carried interests; and
 - (6) new deduction limits on:
 - (i) post-2017 net operating losses ("NOLs") and
 - (ii) "excess business losses."

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Residential Interest Expense

- * For personal residence mortgages in place **on or prior to 12/15/2017** or **after 12/31/2025**, only the interest accruing and paid on the first **\$1MM** of mortgage debt is deductible (including a refi if the refinanced debt not increased).
- * For personal residence mortgages in place **after 12/15/2017 but before 1/1/2026**, only the interest accruing and paid on the first **\$750,000** of mortgage debt is deductible.

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Residential Interest Expense

- * The \$1M and \$750,000 limits apply to the combined level of mortgage debt on personal residences (e.g., primary plus vacation), i.e., the applicable limit is cumulative.
- * Regarding the previously available interest deduction for **home equity lines of credit** of up to \$100,000, this deduction is **suspended** from 1/1/2018 - 12/31/2025.

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Standard Deduction

- * Effective 1/1/2018:
 - * **Standard deduction** raised to \$12,000 (for singles) and **\$24,000** (for MFJ/QW).
 - * After taking into account the \$10,000 deduction limit for sales tax and property tax (see the next slide), for many there will be **no extra tax benefit for making the first \$14,000 of charitable contributions**.
 - * If a taxpayer's itemized deductions won't exceed \$24,000 in given tax year, **consider the strategy of bunching itemized deductions in every other tax year** (e.g., 2 property tax payments in 1 calendar year or using a Fidelity donor advised fund for charitable contributions).

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First appeared as part of the conference materials for the
52nd Annual William W. Gibson, Jr. Mortgage Lending and Servicing Institute session
"Tax Reform: What's Changed for Real Estate?"