Real Estate and Taxes

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For a lot of us, the first income tax year under the Tax Cuts and Jobs Act of 2017 is in the rearview mirror. Now is the time for you commercial real estate owners and investors to sit down and figure out how you utilized the new 20% pass-through deduction (also known as the 199A deduction). With this brand new deduction and the late year issuance of applicable regulations, 2018 ended up being a real test year and many of you just held put to see how things would shake out. It is now time to act, or at least review your options. Your first call should be to your CPA to schedule a review of the 199A deduction on your 2018 taxes and do some planning for 2019. Does your real estate income meet the test for "qualified business income"? You may need to adjust your processes to meet that test. Is your real estate "qualified property"? If not, now maybe the time to sell that non-qualifying property and replace it with real estate that is "qualified property". Maybe you can acquire that new "qualified property" utilizing a 1031 like-kind exchange to defer any capital gains. Maybe those capital gains from the sale can be deferred and/or partially eliminated by investing in a Qualified Opportunity Zone. Maybe you just stand pat. Regardless of what you decide to do, you need to learn of the options that may be right for you.

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