

**Strategic Tax Planning for Real Estate Investors**

Presented by Keystone CPA, INC.

AS SEEN ON:

TIME NBC BiggerPockets Talks at Google

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### AGENDA

- The latest in tax changes that investors need to know about
- Tax saving strategies for real estate investors
- Potential upcoming tax changes aimed at real estate investors

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### AMERICAN RESCUE PLAN

Stimulus Check

- \$1,400 per person under \$75k/\$150k
- Phased out at \$80k/\$160k
- All dependents are eligible
- Based on most recently filed tax return (2019 or 2020)

First \$10,200 of unemployment compensation is tax-free for 2020 if income is under \$150k

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### EIDL AND PPP

**Economic Injury Disaster Loan (EIDL)**

- Loans proceeds are not taxable
- Grants are not taxable for IRS, but taxable for CA (*may change*)

**PPP Loans**

- Loans proceeds are not taxable
- Expenses paid with forgivable PPP loans are deductible for IRS
- Expenses paid with forgivable PPP loan funds are currently nondeductible in CA. (*may change*)
- New PPP loans for sole proprietors can now use gross income instead of net profit

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### You Can Deduct What??

According to Tax Court:

1. Pet food
2. Wigs
3. Private Plane
4. Baby Sitting Fees
5. Breast Augmentation
6. Landscaping
7. Swimming Pool
8. Girlfriend



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### Income Shifting



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**Cost Segregation & Bonus Depreciation**



**Accelerate Tax Deductions into Current Year**

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**Cost Segregation & Bonus Depreciation**

**Example:**

- Purchase \$300k rental property with \$60k down-payment
- \$250k is the building value
- First year depreciation of up to \$75k with cost segregation strategy
- Assume you are in the 37% tax bracket

First year tax saving is ~\$28k of taxes

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**UPCOMING TAX CHANGES: WHAT WE KNOW**

**"Rolling back unproductive and unequal tax breaks for real estate investors with incomes over \$400,000."**

President Biden's policy proposal

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**UPCOMING TAX CHANGES: WHAT WE DON'T KNOW**

- What the actual tax changes will be
- When will those changes take effect

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**TIMING OF CHANGES**

Historically speaking, major tax bills pass in the first year of a newly elected president. However, 2021 may be different

- Prioritization of issues: Covid-19, unemployment, economy, tax changes
- Divided Congress: Significant changes vs smaller scale changes
- Timing of tax changes
  - *Retroactive to January 2021?*
  - *Remainder of 2021?*
  - *Phased-in over multiple years?*

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**REAL ESTATE RELATED TAX ITEMS**

- Top tax bracket increase to 39.6%
- Capital gains increase to 39.6% over \$1M of income

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**REAL ESTATE RELATED TAX ITEMS**

- 1031 Exchange
- Depreciation
- Real estate professional status

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**STRATEGIES TO CONSIDER**

- Keeping income under \$400k
- Timing of your transactions
- Offset strategies

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by Amanda Han (Author), Matthew MacFarland (Author)  
★★★★☆ - 563 ratings

**Available on Amazon.com**

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