

2018 TAX CHANGES FOR LANDLORDS

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2018 TAX LAW CHANGES & STRATEGIES

- ENTITY SELECTION & TAX DIFFERENCES
- DEPRECIATION & CAPITAL IMPROVEMENTS
- NEW 20% DEDUCTION
- 1099 REPORTING REQUIREMENTS
- MEALS & ENTERTAINMENT DEDUCTION, INTEREST EXPENSE

ENTITY SELECTION & TAX DIFFERENCES

- LIMITED LIABILITY COMPANY
- LIMITED LIABILITY PARTNERSHIP
- S-CORPORATION
- C-CORPORATION

DEPRECIATION & CAPITAL IMPROVEMENTS

- WHAT IMPROVEMENTS ARE REQUIRED TO BE DEPRECIATED
- NEW 20% DEDUCTION LIMITATION
- SAFE HARBOR AMOUNTS FOR REPAIRS AND MAINTENANCE
- BONUS DEPRECIATION & 179 EXPENSE ELECTION

NEW 20% BUSINESS INCOME DEDUCTION

WHAT IS THIS AND HOW DOES IT WORK?

HOW CAN I MAXIMIZE THE DEDUCTION?

WHAT ARE THE LIMITS?

1099 REPORTING CHANGES

SERVICES REQUIRED TO BE REPORTED

VENDORS REQUIRED TO BE ISSUED 1099 FORMS

NEW FILING DEADLINE

WHEN TO ISSUE 1099-MISC

- WHEN A BUSINESS PAYS \$600 OR MORE TO A CONTRACTOR FOR CONTRACT LABOR
- WHEN A BUSINESS PAYS \$600 OR MORE IN RENT
- WHEN A BUSINESS PAYS \$600 OR MORE IN "OTHER INCOME" SUCH AS PRIZES
- WHEN A BUSINESS PAYS \$600 OR MORE IN MEDICAL OR HEALTH CARE PAYMENTS
(EXAMPLE: FARM PAYS FOR VETERINARY SERVICES)

SIDE NOTE: IF YOU PAY FOR SERVICES USING A CREDIT/DEBIT CARD DO NOT ISSUE A 1099-MISC. THE CREDIT CARD COMPANY WILL INCLUDE THIS ON THE 1099-K.

WHO GETS A 1099?

- INDIVIDUALS
- PARTNERSHIPS

GENERALLY NOT TO CORPORATIONS (THERE ARE EXCEPTIONS – LAW FIRMS ALWAYS GET 1099 FORMS, PAYMENTS FOR MEDICAL SERVICES ARE ISSUED REGARDLESS OF ENTITY TYPE)

WHAT ARE THE NEW DUE DATES?

- 1099 FORMS MUST BE PROVIDED TO RECIPIENT BY JANUARY 31
- 1099/1096 FORMS DUE TO IRS BY JANUARY 31 IF REPORTING NON-EMPLOYEE COMP IN BOX 7
- IF REPORTING RENT, OTHER INCOME, MEDICAL PAYMENTS, FILING DEADLINE IS FEBRUARY 28

(FILING LATE WILL TRIGGER A PENALTY \$50 PER FORM IF FILED WITHIN 30 DAYS AFTER DUE DATE. DOUBLES TO \$100 PER FORM IF FILED 31 DAYS LATE UP THRU AUG 1)

DO OWNERS OF RENTAL PROPERTY ISSUE 1099 FORMS?

- ORIGINALLY THE ACA INCLUDED A PROVISIONS REQUIRING RENTAL PROPERTY OWNERS TO ISSUE 1099S
- THIS PROVISION HAS BEEN PARTIALLY REPEALED. NOW THE RULE ONLY APPLIES TO OWNERS OF RENTAL PROPERTY WHO OPERATE A "TRADE OR BUSINESS" THE 1099-MISC INSTRUCTIONS DEFINE THIS AS AN ACTIVITY CARRIED ON FOR PROFIT.
- TAX PROFESSIONALS ARE INTERPRETING THIS AS A REQUIREMENT FOR REAL ESTATE PROFESSIONALS.

MEALS & ENTERTAINMENT / INTEREST EXPENSE DEDUCTION LIMITS

What meals and entertainment expenses are deductible under the new tax law?

What is the new interest expense deduction limit?

QUESTIONS?

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