WHAT REALTORS® SHOULD KNOW ABOUT TAX REFORM

Here's what REALTORS® need to know about the Tax Cuts and Jobs Act that was signed into law December 2017.

DEDUCTION FOR QUALIFIED BUSINESS INCOME

- Business income earned by sole proprietors, such as independent contractors, as well as by pass-through businesses, such as partnerships, limited liability companies, and S corporations may, now receive an upfront deduction of 20 percent of their business income, and subject to certain limitations depending on overall income, but with certain conditions. This includes real estate agents and brokers, as long as all requirements are met.

SECTION 179 EXPENSING

- Section 179 allows companies to immediately expense up to $1 million in property placed into service per year.

- The amount of qualified property eligible for immediate expensing was increased from $500,000 to $1 million. The phase-out limitations are increased from $2 million to $2.5 million.

- The amount of first-year depreciation that may be claimed on passenger automobiles used in business was raised significantly to $10,000 for the year in which the vehicle is placed in service, $16,000 for the second year, $9,600 for the third year, and $5,760 for the fourth and later years in the recovery period.

DEDUCTION OF ENTERTAINMENT EXPENSES

No deduction is allowed with respect to:

- An activity generally considered to be entertainment, amusement, or recreation;

- Membership dues with respect to any club organized for business, pleasure, recreation or other social purpose; or

- A facility or portion of a facility used in connection with the above items.

Taxpayers may still generally deduct 50 percent of the food and beverage expenses associated with operating their trade or business (e.g., meals consumed by employees on work travel).

HOUSING MARKET IMPACT

- California's median home price is projected to increase 3.2 percent in 2018.

- Home sales in California are expected to grow in 2018, but the pace of growth will be slower than previously predicted.

- The supply of available homes for sale also will be slightly impacted, as homeowners may delay trading up/down to their next home. Overall, the California housing market is expected to see a decline of 0.3 percent in active listings in 2018 due to tax reform.

Find more information about the Tax cuts and Jobs Act at on.car.org/taxecutsandjobsacts2017

CALIFORNIA ASSOCIATION OF REALTORS®