Lisa Powers, CPA; Master of Law of Taxation
Monday, January 30, 2017
PACIFIC UNION: BUILD WEALTH EVENT

MISSED TAX OPPORTUNITIES FOR REALTORS; p.s. Trump Team tax proposals

1). **Ordinary Loss on Sale of Vehicle Used for Business**:

- many overlook the loss on sale of a vehicle used for business use available under Code Section 1231(b) as an ordinary and not a capital loss
- careful also to not do a "tax deferred exchange" if a vehicle is traded in on the new vehicle as loss will not be allowable
- applies when vehicle partially or 100% used for business, per ratio of use claimed

2). **What does it mean to be a "Real Estate Professional" as per Code Section 469c)(7):**

- main benefit is the allowance of all rental property activity loss deductions not available to other taxpayers/people – an exclusive club
- election to aggregate all hours of all real estate activities to reach more than 750 per year minimum and more than 50% of all time worked
- includible (yet not limited to) real estate activities are sales or rental brokerage, rental property ownership, property management of other's property, developer activity of any sort, syndicator activity

3). **Tax Benefits of the Home Office Deduction using Actual Costs, year after year**:

- applies to either a rented or owned personal residence
- must be a separately defined space to qualify
- actual cost deductions at a per square foot usage ratio, including a garage are rent or interest and property taxes, property insurance and/or HOA dues, repair & maintenance, water & garbage
- actual cost deductions at a higher, specific use ratio would be utilities; depreciation on office area furniture, equipment, window treatments, floor coverings or other décor items; cleaning & janitorial for home office area; land line; online costs
- note that for business use of business vehicle when one leaves from the home office the business use mileage begins – meaning, no "commuting" costs are to be considered from one's home office

4). **Cash Balance Defined Benefit plans: larger contributions for entrepreneurs over age 45**:

- mostly for people over age 45
- "defined benefit plan" vs "defined contribution plan" will allow a much larger annual plan contribution to the plan, 100% deductible when paid
- may be self-directed or asset advisor managed
- all administration fees of plan as well as asset management may also be paid OUTSIDE of the plan and currently tax-deducted to both increase plan costs paid, and have more money compound, thus accumulate more money which is tax-deferred until retirement / distribution