

Positive Provisions in Tax Reform Affecting Real Estate & Real Estate Professionals

PROVISION	HOUSE BILL	SENATE BILL
Section 1031 like-kind exchanges	Retains like-kind exchanges for real property	Retains like-kind exchanges for real property
Commercial real property depreciation	No provision	Reduces to 25 years for residential and non-residential; and 10 years for leasehold improvements
Treatment of business income from pass-through entities	Provides 25% max tax rate on certain qualified business income (generally 30% of income), not applicable to service income, but 100% of passive income qualifies. Rate reduced to 9% for certain lower-income taxpayers	Provides 23% deduction for qualified business income. For those with taxable income over \$250K as singles and \$500K on joint returns, deduction is limited to 50% of W-2 wages, and would also not apply for service income
Section 179 expensing	Increases limit to \$5 million and phase-out to \$20 million	Increases limit to \$1 million and phase-out to \$20 million; expands definition of qualified real property
1st-year depreciation for autos eligible for bonus depreciation	Increases from \$8K to \$16K	Increases from \$8K to \$10K for 1st year; \$16K for 2nd year; \$9,600 for 3rd; \$5,760 for rest
Medical expense deduction	Repealed	Retained, and for 2018-19, floor reduced from 10% of AGI to 7.5%