



2019 TNX SUMMIT

Dale Carlton, JD, CRS

Tax Changes Affecting Real Estate Agents

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- Principal Broker/Owner of Carlton Realty, Inc.
- Attorney at Law
- \$200 Million+ in Personal Sales
- \$4 Billion+ in Sales as Broker for Agents

- Certified Senior Instructor for CRS
- Instructor for GRI, REBAC, IDW, ITI, & RLI
- Professor for REALTOR® University
- 2015 National President for RRC/CRS
- National Instructor to over 75,000 people



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Tax Implications



Including updates for the Tax Cuts and Jobs Act of 2017



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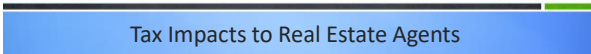
Tax Implications to Real Estate Agents

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Marginal Tax Rates Lowered



Tax Rates	
2017	2018
10%	10%
15%	12%
25%	22%
28%	24%
33%	32%
35%	35%
39.6%	37%

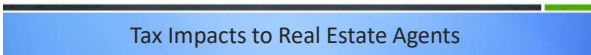


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Marginal Tax Rates Lowered



2017 Income Tax Bracket - Married Filing Jointly		2018 Income Tax Bracket - Married Filing Jointly	
Taxable Income	Tax Rate	Taxable Income	Tax Rate
\$0 - \$19,050	10% of the taxable income	\$0 - \$19,050	10% of the taxable income
\$19,051 - \$77,400	\$1,905 plus 15% of the amount over \$19,050	\$19,051 - \$77,400	\$1,905 plus 12% of the excess over \$19,050
\$77,401 - \$156,150	\$10,452.50 plus 25% of the amount over \$77,400	\$77,401 - \$165,000	\$8,907 plus 22% of the excess over \$77,400
\$156,151 - \$237,950	\$29,792.50 plus 28% of the amount over \$156,150	\$165,001 - \$315,000	\$28,179 plus 24% of the excess over \$165,000
\$237,951 - \$424,950	\$52,222.50 plus 33% of the amount over \$237,950	\$315,001 - \$400,000	\$64,179 plus 32% of the excess over \$315,000
\$424,951 - \$480,050	\$112,728 plus 35% of the amount over \$424,950	\$400,001 - \$600,000	\$91,379 plus 35% of the excess over \$400,000
\$480,051 or more	\$131,628 plus 39.6% of the amount over \$480,050	\$600,001 or more	\$161,379 plus 37% of the excess over \$600,000



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Deductions Changing



Standard Deductions	
2017 Tax Law	TCJA of 2017 Law
Single Filer - \$6,350	Single Filer - \$12,000
Married, Filing Jointly - \$12,700	Married, Filing Jointly - \$24,000
Head of Household - \$9,350	Head of Household - \$18,000



Tax Impacts to Real Estate Agents

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Deductions Changing

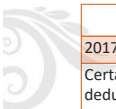


Deductions that are generally still allowable

- Medical expenses above 7.5% of AGI for 2017 and 2018
- State and local income taxes and real estate taxes limited to a total of \$10,000
- Home mortgage interest deductions (up to a debt limit of \$750,000 of acquisition indebtedness taken out after 12-14-2017)
- Charitable contributions

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Moving Expenses	
2017 Tax Law	TCJA of 2017 Law
Certain moving expenses are deductible	No moving expense deductions except for members of armed forces



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Personal Exemptions	
2017 Tax Law	TCJA of 2017 Law
\$4,050 deduction for each qualified person.	No exemptions for any person.



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Child Tax Credit	
2017 Tax Law	TCJA of 2017 Law
\$1,000 child tax credit for each child under 17 years of age as of December 31st of a given year with a phase-out starting at \$55,000 AGI for a single filer and \$110,000 for married filing jointly.	\$2,000 child tax credit for each child under 17 years of age as of December 31st of a given year. The new law also increases the phase-out limits starting at \$200,000 AGI for single filers and \$400,000 for married filing jointly. Child tax credit of \$500 for any dependent 17 or over as of December 31 of a given year.

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State Income Tax and Real Property Tax	
2017 Tax Law	TCJA of 2017 Law
Both state income tax and state and local real property taxes can be deducted in full	State income taxes and state and local real property taxes are limited to a total deduction of \$10,000

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Qualified Business Income Deduction

- Provision for small businesses
- Applies to partnerships, S corps, or sole proprietorships
- Also, qualified REIT dividends, cooperative dividends, and publicly traded partnership income
- Service trade issues
- 20% deduction of qualified business income



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Estate and Gift Tax

- Gift tax emption is \$11,200,000 per person in 2018
- States have their own exemption levels
- Annual gift tax exclusion is currently \$15,000 in 2018



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Business Expenses

- Ordinary and necessary
 - Helpful, needed, appropriate, customary, usual or normal
- Engaged in a business with purpose of profit



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Travel, Meals and Entertainment Expenses

Travel, Meals and Entertainment Expenses	
2017 Tax Law	TCJA of 2017 Law
Entertainment is 50% deductible.	Entertainment is 0% deductible.
Meals are 50% deductible.	Membership dues are 0% deductible.
Advertising/promotion is 100% deductible.	Meals are 50% deductible.
	Advertising/promotion is 100% deductible.

Tax Impacts to Real Estate Agents

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Business Use of Home

Method A

- Deduct real estate taxes, insurance, mortgage interest, utility costs, etc.
- Determine business percentage of home
- Prove home office is exclusively for business on a regular basis
- Prove home office used on a substantial basis for management and admin

Method B

- Red flag for an IRS audit
- Safe Harbor ruling
- \$5 per square foot, with a maximum of 300 square feet limitation
- Maximum of \$1,500
- All other requirements remain the same

Tax Impacts to Real Estate Agents

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Section 179

Section 179	
2017 Tax Law	TCJA of 2017 Law
<ul style="list-style-type: none"> • Maximum amount deductible is \$510,000. • Phase out limitations were \$2,000,000. • The cost of tangible personal property could be expensed in the year of purchase up to \$510,000. Examples of included personal property - computers, copiers, office equipment, furniture, fixtures, staging furniture. 	<ul style="list-style-type: none"> • Maximum amount deductible is \$1,000,000. • Phase out limitations are \$2,500,000. • In addition to previously covered personal limitation, it expanded to included residential rental property items like carpet, drapes, ceiling fans, floor coverings, lawn mowers, pick-up trucks, trailers. • Expands definition of qualified real property to include improvements to nonresidential real estate property including roofs, heating, ventilation, air-conditioning, alarm systems, and security systems. • Increases the amount of first-year depreciation that may be claimed on passenger automobiles used in business.

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Bonus Depreciation

Bonus Depreciation	
2017 Tax Law	TCJA of 2017 Law
50% of the cost of new assets could be claimed.	100% of the cost of new and used assets can be claimed.

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Hiring Family Members

Hiring Family Members	
2017 Tax Law	TCJA of 2017 Law
A standard deduction of \$6,350 against earned income.	A standard deduction of \$12,000 against earned income.

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Tax Changes Affecting Real Estate Agents

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