

Business Seminars

Monrovia Business Seminar

John Moran Auctioneers
145 E. Walnut Ave., Monrovia
January 10, 2018 11:30am-1:30pm

MADIA TECH LAUNCH TBD

Monrovia Kiwanis

Meets at the Monrovia Restaurant
Every Thursday 12-1:30 PM

Duarte Kiwanis

Meets at Westminster Gardens
Every Other Tuesday 12-1:30 PM

Here's an Alternative to Doing a 1031 Exchange

If you've ever been involved in selling a property and then looking to locate a Section 1031 tax-deferred exchange property, you know what this experience can be like. The moment you close on the initial sale of your property, the clock then begins ticking. You've got 45 days to identify the property that you will be exchanging into, and then six months from the closing date of your original sale to then close this "upleg" transaction.

Sometimes the thought of going through this entire process can keep owners from listing their property and putting it on the market, for fear of not being able to find and close that upleg transaction within the previously mentioned timeframes.

So with this in mind, meet the Deferred Sales Trust, an alternative to doing a Section 1031 tax-deferred exchange that will eliminate these timeframes.

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Tax Reform Bill Draws Cautious Support from CRE Industry Leaders

Credit: Real Estate Roundtable

Proposal Retains 1031 Exchanges, Interest Deduction, But Housing Groups Worried About Impact on Residential Markets

CRE industry leaders who worried that the largest rewrite of the U.S. tax code in more than three decades would eliminate like-kind 1031 exchange transactions or curtail the ability of businesses to write off interest and debt expenses breathed a collective sigh of relief last week after House Republican leaders outlined the major components of their long-awaited bill.

CRE industry leaders who worried that the largest rewrite of the U.S. tax code in more than three decades would eliminate like-kind 1031 exchange transactions or curtail the ability of businesses to write off interest and debt expenses breathed a collective sigh of relief last week after House Republican leaders outlined the major components of their long-awaited bill.

The Tax Cuts and Jobs Act (H.R. 1), released last week by the U.S. House of Representatives Ways and Means Committee, also retains existing rules for writing off depreciation of commercial property, while reducing the tax burden on all businesses.

See CRE Page 2

Quotes for the Month

"Don't cry because it's over,
smile because it happened."
—Dr. Seuss

"No one can make you feel
inferior without your
consent." —Eleanor Roosevelt

"The longer I live, the more
beautiful life becomes." —
Frank Lloyd Wright

"When you cease to dream
you cease to live." —Malcolm
Forbes

"Every moment is a fresh
beginning." —T.S. Eliot



Real Estate Roundtable President and CEO Jeffrey DeBoer, who led efforts to keep those provisions, said the proposed bill, by reducing barriers to private-sector capital formation and business investment, "will boost economic demand and job growth."

"If the final bill is similar to the one introduced today, our industry will put more people to work modernizing and improving existing properties - office buildings, shopping centers, apartments, industrial properties - to meet the changing and growing needs of American businesses and consumers," DeBoer said in a statement.

The proposal reduces the corporate tax rate from 35% to 20% for tax years beginning after 2017 and repeals the corporate alternative minimum tax.

The legislation provides for a special maximum 25% tax rate on ordinary income that would apply to the "qualified business income" of individuals engaged in business activities through sole proprietorships, tax partnerships and S corporations. Business income not qualifying as such would remain subject to the normal ordinary income tax rate.

Current law generally treats those entities as "pass-through" entities subject to tax at the owner or shareholder level. Net income earned by an individual owner or shareholder of one of these entities is reported on the individuals income tax return and is subject to ordinary income tax rates up to the top individual marginal rate of 39.6%.

In a bulletin, the CRE Finance Council (CREFC) described the retention of interest deduction, 1031 exchanges and existing cost recovery and depreciation rules as "major steps in the advocacy effort to allow for continued CRE market liquidity and supply/demand balance."

While CREFC remains skeptical that House leadership can meet its aggressive goal of getting the bill to the Senate before the Thanksgiving holiday due to its size and complexity, the group expects a flurry of Congressional activity up until the holiday.

"We caution that uncertainty will be the order of the day until the bill either advances to the Senate (which is working on its own legislation) or gets stymied by member opposition," the group said.

The U.S. apartment industry's main lobbying groups, the National Multifamily Housing Council (NMHC) and National Apartment Association (NAA), said that while they are still reviewing the legislation, the proposal as written "looks to encourage economic growth and job creation."

"Critically, the Tax Cuts and Jobs Act would preserve interest deductibility, like-kind exchanges and other provisions important to the apartment industry," the groups said in a joint statement.

NMHC/NAA said it would work with lawmakers to safeguard those provisions and others, including the capital gains treatment of carried interest and the Low-Income Housing Tax Credit (LIHTC), during the "long process ahead before tax reform becomes law."

While capital markets, CRE and small-business interests generally lauded the proposal, the residential real estate and mortgage industry cited serious concerns about how the provisions will impact U.S. housing markets, including the production of affordable housing.

"We believe that the proposed changes to the mortgage interest deduction, deductibility of state and local real estate taxes and the exemption for capital gains treatment when families sell their principal residence would have a negative impact on the housing market and potentially the national economy as a whole," said David H. Stevens, president and CEO of the Mortgage Bankers Association (MBA). "We are also concerned about the potential impact of certain provisions on the production of affordable housing, which is vital."

In a Deferred Sales Trust, you transfer the ownership of your property into a special trust that you create, and then when you sell the property, the proceeds from the sale go into this trust.

Then you can reinvest these proceeds not only into commercial real estate, but into investments like stocks and bonds, and you can do so whenever you're ready, without having that ticking time clock indicating when that final day of reckoning will get here.

So why haven't you heard of this option before? Well, very few accountants and attorneys even know about this, even though this reinvestment strategy has been utilized successfully now for many years. It seems that even though the IRS has been allowing this strategy to be utilized, it hasn't exactly been crowing about this to the world in the loudest manner imaginable. But when you comply with the basic guidelines that the IRS has been allowing, similar to what happens when you comply with the guidelines for doing a 1031 exchange, the IRS will then allow you to maintain tax-deferred status on your proceeds.

So if you are thinking of selling a property, and you're planning on doing a Section 1031 tax-deferred exchange when you're selling the property, it may be wise for you to learn more about the Deferred Sales Trust. It can give you more flexibility than doing a 1031 exchange, but you'll want to learn more about it in advance, and strategize in advance before you ever reach an agreement to sell your property, otherwise it may be too late for you to then implement this strategy.

If you'd like more information on the Deferred Sales Trust, including seeing a video describing exactly how this approach works, visit the Web site located at www.WeReduceTaxes.com.

Overcoming Work/Life Balance Hurdles

Trying to get the best balance between work and life is a challenge for workers and employers alike, and there are a variety of obstacles to achieving this goal.

One of the most common such obstacles is that many people see looking after their own interests as being selfish, when it is in fact crucial for the promotion and maintenance of a lifestyle that is both fulfilling and healthy.

Mindfulness and meditation are both excellent examples of this, but even just taking a walk at lunchtime or ensuring that you make time for a favorite hobby or TV show can help to maintain a healthy balance.

Having a clear focus on your personal goals, staying motivated and positive, and getting enough good quality sleep are also vital, as is realizing that you do not have to do everything alone, as there are many resources likely to be available to you both in your local community and online.

Rediscovering Work Inspiration

Inspiration provides a sense of purpose at work, giving us the feeling that we're making good use of our talents. Yet inspiration can disappear quickly, either due to a lack of interest in a particular job or a negative remark from the boss and rediscovering that it can be easier said than done. Even those fortunate enough to actually love their job most of the time can still go through periods when being excited to be there seems just too much to ask. The good news is there are ways to rediscover that inspiration. One good tip is to not sit around waiting for inspiration to strike again. Inspiration often comes from fresh information and experiences, and there are ways to get these such as attending professional gatherings, taking a class, travelling or even just reading a book. Just a couple of hours per week undertaking activities to expand your perspective can work wonders. Our mood and energy are affected by those around us, and getting some new friends can help to inspire us, giving us different things to talk about and new perspectives to think on. Meeting new people is a great way to stimulate the creation of new ideas.





**Your business deserves a great property.
With service to match.**

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Industrial for Sale **Property Highlights**

- An Approx. 25,205 SF Industrial Building
- On Approximately 43,194 SF Lot
- Suite Has Multiple Office Spaces With Large Bullpen
- Close to Myrtle Ave. & All Amenities
- Easy Access to 210, 605 & 10 Freeways



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call listing office to
schedule an appointment.

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