President Biden's Tax Plan and the Real Estate Community

ARTICLE 01.22.21 DEAN DORTON

President Biden's tax plan could shake-up many real estate investors' and developers' tax obligations. Due to Democratic control of the White House, Senate, and House of Representatives, the possibility of changes to the tax law may become a reality, however when and to what degree is unclear due to President Biden's priority being addressing COVID-19.

The potential financial implication of the proposed tax plan may stretch to all facets of the real estate investor community. If passed, investors and developers may want to reexamine their entity structure as well as their tax planning strategies.

In President Biden's tax plan, he has proposed:

- Elimination of the $25,000 exemption from the passive loss rules for rental real estate losses for certain individuals
- Eliminate like-kind exchanges that allow deferral of capital gain taxes on the exchange of appreciated real property for taxpayers earning more than $400,000
- Eliminate faster depreciation for certain property
- Eliminate or phase out Qualified Business Income (QBI) Deductions for profitable rental real estate activities where taxpayers earn more than $400,000
- Tax capital gains as ordinary income for taxpayers with over $1 million in income
- Reforming Opportunity Zone initiative by:
  - Incentivizing Opportunity Funds to partner with non-profits within the Opportunity Zone
  - Require benefits to be reviewed by the Treasury Department to ensure the benefits are only allowed where there are economic and social impact to a community
  - Require recipients of the incentive to provide detailed reporting and public disclosure of their investment and impact on the community

We will continue monitoring the situation as President Biden's plans take shape. For a comparison of Present Law to President Biden's Proposal, please click below:

Tax Plan Comparison

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