

## **Greensboro Landlords Association**

Meeting Minutes  
February 13th, 2018

### **Opening:**

The monthly meeting of the Greensboro Landlords Association was called to order at 6:30 on February 13th, 2018 at the Greensboro Regional Realtors Association by President, Mike Walker.

### **Attendance:**

45 Members and 5 Guests were recorded by Jennifer Dille with TESS, LLC, 3<sup>rd</sup> Party Vendor.

### **General Announcements:**

- Mike Walker welcomed everyone to our meeting again and for all of those who have paid their Membership Dues already.
- Are there any guests with us tonight? Yes, 5 who saw our ad in the Rhino Times.
- We started our “Coffee Chats” up again last month We had a great turnout of 12 people. We took over the place. Great discussions on keyless entry, removing squatters, brochures from the State and more. Since they are smaller group settings, it is easier to ask questions
- Now I would like to open up the floor to see if any one has any questions, concerns, homes for sale, etc. Pretty sure I heard that a member has a question for the group.
- Open Floor Questions:

**Meeting Topic: The New Tax Code and How it is going to Affect You and Your Properties**

**Panelist: Sandy Shelton and Dan Powers**



**Sandy Shelton**



Since the founding of Craven Shelton & Gann, P.A. in 1989, Sandy Shelton has been actively engaged all fields of public accounting, with focus on business consultation, valuations, tax representation before governing agencies and structuring real estate business. Throughout her career, she has invested herself in learning the intricacies of many different types of businesses and industries, to expand and facilitate services clients need. Sandy enjoys partnering with clients, sharing her expertise to help them reach their business and personal goals.

As President of SNA and a partner in the firm, she continues to employ the best business practices she shares with clients - to envision the future.

#### **Education, Licensure and Professional Affiliations**

- B.S. in Accounting – University of North Carolina at Greensboro
- North Carolina CPA license #17082
- Certificate of Educational Achievement in Business Valuations
- American Institute of CPAs
- North Carolina Association of CPAs
- North Carolina licensed agent for life, health, Medicare supplement and long term care insurance

#### **Community Affiliations**

- Industries of the Blind, Inc., Board of Directors
- Preservation Greensboro Development Fund, Inc., secretary-treasurer
- Carolina Theatre, Board Member, Treasurer
- Society of Financial Service Professionals, treasurer
- Piedmont Triad Commercial Real Estate Women (PTCREW), treasurer

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### **Background**

I am a North Carolina-licensed Certified Public Accountant (Certificate # 15023) with 30+ years of tax, accounting, and business experience in both public practice and private industry. I have a B.B.A. in Accountancy from the University of Mississippi in my native state. I worked with Arthur Andersen & Co. in Houston, New Orleans, and Jackson, MS prior to moving to Greensboro, NC in 1984. I was a tax partner in the Greensboro office of McGladrey & Pullen, a national firm, and spent several years as a CFO in private industry prior to opening my tax and accounting practice.

Over the years I have worked in many areas of tax and accounting in a myriad of industries and with all types of entities and tax structures. I have extensive tax and consulting experience and have assisted hundreds of clients with their financial matters. I bring a valuable view to assist you in achieving your financial goals.

I am a member of the American Institute of CPA's (Tax Section), the North Carolina Association of CPA's (NCACPA), and past President of the Piedmont chapter of the NCACPA. I also served in the past on the Board of Advisors for the J. Nelson Young (UNC-CH Law School) Tax Institute and the Board of Directors of the Mississippi Tax Institute.

I have served my communities in numerous ways including coaching Little League baseball, and serving on the Boards of Caldwell Academy, Vessels of Mercy Prison Ministry, Friends of the Greensboro Library, as well as with Habitat for Humanity, United Way, and other local civic, charitable, and educational organizations.

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North Carolina Certificate #15023

We will start with Sandy's Question and Presentation:

# NEW DEPRECIATION RULES FOR LANDLORDS UNDER THE TAX CUT AND JOBS ACT

By Sandy Shelton  
Shelton Nelson And Associates PA

## Bonus Depreciation Effective after Sept 27, 2017 For Residential Landlords

### ► Old Law

1. Had to be new
2. Limited to 50% of cost
3. Covered all personal property with a life of 20 years or less

### New Law (After 9/28/17)

1. Only has to be new to you
2. Now 100%
3. No change

## For Commercial Landlords

- ▶ Same rules as above for personal property
- ▶ And quite simply put, so far, no bonus depreciation on leasehold improvements, because of a glitch. However, it is anticipated the glitch will be fixed, and we will be able to use Bonus depreciation for certain improvements.
- ▶ Section 179 - Effective after 2017
- ▶ Write off of personal property (class life less than 20 years), qualified leasehold improvement property, qualified restaurant property and qualified improvement property.
- ▶ Now \$1,000,000 per year

## Residential Landlords

Can now take Section 179 on personal property

## Commercial Landlords

In addition to personal property, can take Section 179 on Roofs, HVACs, Fire Protection and Alarm Systems and Security Systems, as well as qualified real property

### Examples:

- ▶ For both Residential and Commercial Landlords
- ▶ All furniture, carpeting, appliances, (think removable verses attached), you can write it off 100% using Section 179 or Bonus Depreciation
- ▶ Pick Section 179 because Bonus depreciation is an addback for NC

- ▶ And remember, there is also the de minimis safe harbor rule allowing all landlords to fully deduct in one year personal property that costs \$2,500 or less.
  - ▶ Bottom Line: Bonus depreciation is over rated for residential landlords because we can now use Section 179 on personal property.
  - ▶ This becomes very important - think of componentized depreciation when purchasing the new to you rental home or commercial building.
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- ▶ Qualified leasehold improvement - made to the interior portion of a commercial building over 3 years old, with a lease
  - ▶ Qualified retail improvements - same as above but had to be in the business of retail trade selling personal property to the public
  - ▶ Qualified restaurant property - no lease, could be a building, or improvement to a building, but more that 50% had to be devoted to preparing or serving meals.
  - ▶ All three of these could be depreciated over 15 years instead of the typical 39.5 years

## In 2015 - New Definition

- ▶ Qualified improvement property - no lease, no 3 year waiting period BUT it had to be depreciated over 39.5 years.
- ▶ Advantage - could use 50% bonus depreciation
- ▶ New Law: Big Glitch. The “qualified improvement property” still has a life of 39.5 years, accidentally left off was changing the life to 15 years regular depreciation or 20 years ADS depreciation.

Thank you Sandy. That is a lot to take in. We will make sure this is posted to the website so everyone can review.

We will now open the floor to questions and answers for Sandy.

OK. Let's move onto the next presentation by Dan Powers.

The background of the slide is dark grey with three overlapping blue circles of varying shades. A light grey horizontal band is centered across the circles, containing the title text.

## Impact of New Law on Entity Choice and General Tax Planning Ideas

### Contents

- Qualified Business Income Deduction for Individuals “(QBID)”
- Planning in Light of Deduction for Small Business
- C Corporations
- General Tax Planning In Light of New Law

## QBID

- Generally a deduction will be allowed for 20% of qualified domestic business income from a sole proprietorship (including Schedules C, F, and Schedule E if a “trade or business”), partnership, or S corporation

- Deduction is limited by the greater of:

- 50% of W-2 wages paid by the qualifying business or

- 25% of W-2 wages paid plus 2.5% of unadjusted basis of all qualifying property

The limitation does not apply if taxable income on the 1040 is less than \$157,500 (\$315,000 on a joint return)

## QBID

- The limitation phases out as taxable income increases by \$50,000 (\$100,000 joint) over the above thresholds

- There is a further limitation for specified service trades and businesses

- Specified service businesses are subject to two limitations

- Limited to 50% of W-2 wages or 25% of W-2 wages plus 2.5% of unadjusted basis of property and

- Limited where taxable income exceeds the \$157,500/\$315,000 threshold (fully phased-out at \$207,500/\$415,000)

- Income and losses from more than one business are combined to produce combined qualifying business income or loss

- Net combined losses must be carried forward and used to reduce combined net qualifying income in subsequent years

## Planning in Light of Deduction for Small Business

- There is no change in the imposition of the self-employment tax and reasonable compensation will still be necessary for S corporations
- Each trade or business is considered separately
- The interplay of compensation/self employment tax implications, the QBID, and the individual tax rates will determine entity choice
- May require restructuring of diverse business interests (either combining or splitting up maximize tax benefits)
- May require change in how compensation is handled among related entities (e.g. management company, employee leasing, etc.)
- RUN THE NUMBERS!

Remember these law changes are temporary (due to expire 12-31-2025)

## C corporations

- New flat rate of 21%
- New limitations on corporate interest expense
- Choice will be affected by shareholder marginal tax rate and capital gain rates since income will be taxed twice to get into shareholder hands
- Other tax considerations (e.g. employee benefits, accumulated earnings tax, etc)
- Timing of second tax will be important
- RUN THE NUMBERS!

## General tax planning

- Entity choice and restructuring of compensation arrangements
  - Shed itemized deductions and plan for new higher standard deduction
    - Pay off mortgages
    - Make qualified charitable distributions directly from IRA's or use donor-advised funds to "bunch" deductions
    - Institute or revise employee reimbursement plans
    - Revise estate plans for larger estates
    - Use more liberal depreciation and expensing provisions while they last
- RUN THE NUMBERS!

### **Closing and Agenda for Next Meeting:**

Mike Walker thanked our guests and reminded everyone about the Coffee Chat at Amoroso's Bakery.

Next month we have another very important meeting on the The Roads to Our Future presented by Craig McKinney with the NC DOT. Please join us again.

**Adjournment:** "Thank you all for coming!" Meeting was adjourned at 7:25 by President, Mike Walker.

**Minutes submitted by: Jennifer Dille with TESS, LLC Approved by: Andrea Neese, Secretary**