

GLA March 2025 Taxes Meeting Video

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LET'S MIX IT UP THIS
TIME

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A man walks into a pet store and asks for a dozen bees. The clerk carefully counts 13 bees out onto the counter.

“That’s one too many!” says the customer. The clerk replies, “It’s a freebie.”





Overview

- 1031 LIKE KIND EXCHANGES
- EFILING
- BENEFICIAL OWNERSHIP INFORMATION
- GIFTING REAL ESTATE
- SHORT TERM RENTALS
- GAIN CALCULATION ON SALE OF RENTAL PROPERTY
- WHAT'S CHANGING



1031 LIKE KIND EXCHANGES

- IT'S THE BEST WAY TO DEFER TAX
- MUST BE REAL ESTATE (ANY KIND)
- NOT PERSONAL PROPERTY OR FLIPS
- SHOULD NOT BE YOUR PERSONAL RESIDENCE
- MUST USE AN INTERMEDIARY
- SUGGESTION- MEET WITH AN INTERMEDIARY TO UNDERSTAND THE RULES. THEY ARE COMPLEX

WHAT TO REMEMBER

- MANDATORY (WHEN YOU REPLACE LIKE KIND PROPERTY)
 - YOU MIGHT DO THIS WHEN THE SELLER DOES NOT HAVE PURCHASE MONEY
- USE A 1031 GAIN WHEN:
 - THERE IS A LOT OF GAIN TO REPORT
 - BECAUSE HEIRS GET A STEP UP IN BASIS UPON YOUR DEATH
- AVOID A 1031 EXCHANGE WHEN:
 - YOU HAVE DEPRECIATION RECAPTURE
 - YOU RECEIVE CASH
 - THE GAIN IS NOT SUBSTANTIAL (USING AN INTERMEDIARY COST MONEY)
 - WHEN YOUR TAXABLE INCOME IS BELOW \$100,000
 - DEBT IS INVOLVED WHERE YOUR OVERALL DEBT IS REDUCED

AND MORE TO REMEMBER

- CAN STILL SELL TO RELATED PARTIES, BUT THERE IS A TWO-YEAR HOLDING REQUIREMENT FOR BOTH PARTIES
- FAILURE TO DO SO VOIDS THE EXCHANGE IN THE YEAR OF DISQUALIFICATION
- YOU CAN PULL MONEY OUT (REFINANCE), JUST DON'T DO IT RIGHT AWAY – MUST HAVE A BUSINESS PURPOSE
- IT'S TRICKY, BUT YOU CAN CONVERT A VACATION HOME TO A RENTAL AND THEN DO A 1031 EXCHANGE
- LAST TRICK – AFTER TIME, MOVE INTO THE PROPERTY, CONVERTING IT TO A PRINCIPAL RESIDENCE, KEEP 2 YEARS, AND SELL IT!



REVERSE EXCHANGES CALLED A STRIKER EXCHANGE

- WHEN YOU BUY PROPERTY BEFORE YOU HAVE SOLD YOUR PROPERTY
- RULES ARE THE SAME, JUST IN REVERSE ORDER. IN OTHER WORDS, YOU WOULD NEED TO IDENTIFY THE PROPERTY(IES) YOU ARE SELLING BEFORE YOU HAVE SOLD YOUR PROPERTY

SOME JOKES

WHAT DO COMPUTERS EAT FOR LUNCH?

- MICROCHIPS

I COULDN'T FIGURE OUT WHY THE BASEBALL KEPT GETTING LARGER AND LARGER.

- THEN IT HIT ME.

HOW MANY DANCE INSTRUCTORS DOES IT TAKE TO CHANGE A LIGHTBULB?

- FIVE...SIX....SEVEN....EIGHT

EFILING IS A MUST

IF YOU FILE 10 OR MORE FORMS, YOU MUST EFILE

FORMS CONSIST OF INFORMATIONAL ONES LIKE 1099S,
1098S, W-2S,

TAX RETURNS INCLUDING PAYROLL FORMS

BEST SITE I HAVE FOUND IS: **TAX1099.COM**

ONCE YOU FILE ONE YEAR, ALL THE INFORMATION IS THERE
THE NEXT YEAR, SO YOU ARE NOT REINVENTING THE WHEEL

COST IS UNDER \$5 IF YOU WANT THEM MAILED, \$3 IF NOT

THEY WILL ALSO FILE YOUR BOI

BENEFICIAL OWNERSHIP INFORMATION

SEE ATTACHED

REPORTING REQUIREMENTS

DUE BY JANUARY 1, 2025

MARCH 21, 2025

REPORTING COMPANIES (RO)

**1 ANY BUSINESS YOU OWN EXCEPT A SCHEDULE C THAT IS ALSO NOT A SMLLC
YOU ARE RECEIVING BECAUSE I THINK YOUR BUSINESS MUST REGISTER**

2 TWO OPTIONS

**THE BUSINESS PROVIDES INFORMATION ON ITS BENEFICIAL OWNERS (BO)
WITHOUT THE USE OF FINCEN ID.S AS EXPLAINED BELOW
OR, IF THE BO HAS A FINCEN ID AND PROVIDES IT TO THE RO
THE RO CAN USE IT INSTEAD OF PROVIDING INFO ON THE BO (SIMPLER)**

3 BENEFICIAL OWNERS (BO) ATTACHMENT A- QUESTIONAIRE

- A. ANYONE WHO OWNS 25% OR MORE OF THE BUSINESS**
- B. ANYONE WHO HAS SUBSTANTIAL CONTROL OVER THE BUSINESS**
 - 1. A SENIOR OFFICER OF THE COMPANY**
 - 2. PERSON WHO HAS AUTHORITY TO APPOINT OFFICERS OR DIRECTORS**
 - 3. IMPORTANT DECISION MAKER**
 - 4. OR OTHER TYPES OF FINANCIAL CONTROL**
- C. MINOR CHILDREN WHO ARE A BENEFICIAL OWNER
INSTEAD PARENT/GUARDIAN REPORTS INFO ON HIMSELF/HERSELF**

**4 COMPANY APPLICANTS NEW COMPANIES FORMED THIS YEAR
THERE ARE DIFFERENT RULES. CALL ME IF NEEDED**

**5 REQUIRED INFORMATION FOR THE REPORTING COMPANY AND BENEFICIAL OWNER
ATTACHMENT B REQUIRED INFORMATION TO HAVE ON HAND**

6 FINCEN IDENTIFIER- A UNIQUE IDENTIFYING NUMBER

**INDIVIDUALS: YOU DO NO NEED TO BE A BENEFICIAL OWNER
IF YOU ARE A BO UNDER MORE THAN ONE COMPANY, GET THE FINCEN ID; IT SPEEDS UP
THE PROCESS BECAUSE YOU ONLY HAVE TO ENTER THE ID FOR THE BENEFICIAL OWNER
IF YOU HAVE A GLOBAL ENTRY CARD (FOR FLYING) AND HAVE YOUR PASSWORD AND CODES,
YOU USE THIS INFO TO LOGIN. YOU WILL RECEIVE A CODE THROUGH YOUR EMAIL
THIS IS THE EASIEST WAY TO GET THE FINCEN ID
ELSE, YOU WILL HAVE TO CREATE AN ACCOUNT UNDER "FINCENID.FINCEN.GOV/LANDING**

REPORTING COMPANIES - CHECKS THE BOX ON THE REPORTING FORM-BOI

7 HOW TO FILE THE BOI REPORT

**GUIDANCE ON THE WEBSITE AT WWW.FINCEN.GOV/BOI
MUST START AT THE WEBSITE.
MUST BE ABLE TO UPLOAD DOCUMENTS
UPON SUBMISSION, AN ACKNOWLEDGEMENT OF SUBMISSION OF SUCCESS OR FAILURE
A TRANSCRIPT OF THE BOI REPORT CAN BE DOWNLOADED**

GO TO THE WEBSITE

CLICK ON "HOME"

CLICK ON "FILE YOUR REPORT NOW"

**YOU CAN PREPARE THE REPORT OFFLINE AND SUBMIT THE BOIR WHEN READY
OR FILE ONLINE, WHICH WAS ACTUALLY SIMPLE**

GN: I CANNOT FILE THE REPORT FOR YOU. IT IS CONSIDERED A PRACTISE OF LAW.

ATTACHMENT A

Substantial control question:	Answer	If response is "Yes":
1. Does your company have a president, chief financial officer, general counsel, chief executive officer, or chief operating officer?	<input type="checkbox"/> Yes <input type="checkbox"/> No	There are senior officers in your company.
2. Does your company have any other officers that perform functions similar to those of a President, chief financial officer, general counsel, chief executive officer, or chief operating officer? <i>Note:</i> One individual may perform one or more functions for a company, or a company may not have an individual who performs any of these functions.	<input type="checkbox"/> Yes <input type="checkbox"/> No	
3. Does your company have a board of directors or similar body AND does any individual have the ability to appoint or remove a majority of that board or body?	<input type="checkbox"/> Yes <input type="checkbox"/> No	There are individuals with appointment or removal authority over your company.
4. Does any individual have the ability to appoint or remove a senior officer of your company?	<input type="checkbox"/> Yes <input type="checkbox"/> No	
5. Does any individual direct, determine, or have substantial influence over important decisions made by your company, including decisions regarding your company's business, finances, or structure? <i>Note:</i> Certain employees who might fit this description are nevertheless exempt from the beneficial owner definition. See section 2.4 for more information.	<input type="checkbox"/> Yes <input type="checkbox"/> No	There are important decision-makers over your company.
6. Are there any other individuals who have substantial control over your company in ways other than those identified in 1-5 above?	<input type="checkbox"/> Yes <input type="checkbox"/> No	There are individuals to whom the catch-all would apply.

Complete Step 1: Once you have reviewed the examples and questions for exercising substantial control above, you will have enough information to complete Step 1 (identify the individuals who meet the substantial control criteria for your company). The individuals you have identified will be reported as beneficial owners in your company's BOI report unless they qualify for an exception, as discussed in the next section of the chapter ([section 2.4](#)).

4.1 What information should I collect about my company, its beneficial owners, and its company applicants?

The following checklists may help you identify the information about your company and its beneficial owners and company applicants that you are required to collect and report.

Chart 7 – Required information checklists

Reporting Company

- Full legal name
- Any trade name or "doing business as" (DBA) name
 - » Report all trade names or DBAs.
- Complete current U.S. address
 - » Report the address of the principal place of business in United States, or, if the reporting company's principal place of business is not in the United States, the primary location in the United States where the company conducts business.
- State, Tribal, or foreign jurisdiction of formation
- For a foreign reporting company only**, State or Tribal jurisdiction of first registration
- Internal Revenue Service (IRS) Taxpayer Identification Number (TIN) (including an Employer Identification Number (EIN))
 - » **If a foreign reporting company has not been issued a TIN**, report a tax identification number issued by a foreign jurisdiction and the name of such jurisdiction.

Each Beneficial Owner and Company Applicant

Not all reporting companies are required to report information about company applicants. See Chapter 3 for assistance in identifying whether your company is required to report company applicant information.

- Full legal name
- Date of birth
- Complete current address
 - » Report the individual's residential street address, except for company applicants who form or register a company in the course of their business, such as paralegals. For such individuals, report the business street address. The address is not required to be in the United States.
- Unique identifying number and issuing jurisdiction from, and image of, **one** of the following non-expired documents:
 - » U.S. passport
 - » State driver's license
 - » Identification document issued by a state, local government, or tribe
 - » **If an individual does not have any of the previous documents**, foreign passport

If an individual has obtained a FinCEN identifier and provided it to a reporting company, the reporting company may include such FinCEN identifier in its report instead of the information required about the individual.

GIFTING REAL ESTATE

- JUST NOT A GOOD IDEA.
- THIS IS USALLY DONE WHEN PARENTS GIVE THEIR HOMES TO THEIR CHILDREN TO QUALIFY FOR MEDICARE PROGRAMS
- THIS IS HARD TO DO, SHOULD MEET WITH AN ESTATE ATTORNEY
- ONCE GIFTED, THE BASIS OF THE GIFTED PROPERTY IS THE BASIS OF THE OWNER. EG IF THE HOME WAS BOUGHT IN 1975 FOR \$25000 AND IT IS NOW WORTH \$250,000, WHEN GIFTED, YOUR BASIS IS \$25000. WHEN SOLD, THE GAIN OF \$225,000 IS SUBJECT TO CAPITAL GAINS TAX
- BETTER, JUST DIE. HEIRS GET A STEP UP IN BASIS. OR SELL IT, TAKE ADVANTAGE OF THE PRINCIPAL HOME SALES OF RESIDENCES, AND JUST GIVE THE MONEY TO ME (OOPS, MEANT “TO YOUR KIDS”

SHORT TERM RENTALS

- IF THE AVERAGE STAY IS 7 DAYS OR LESS AND SUBSTANTIAL SERVICES ARE PROVIDED, RENT IS A TRADE OR BUSINESS, REPORTABLE ON SCHEDULE C.
- DIRECT EXPENSES (CLEANING THE UNIT) ARE 100% DEDUCTIBLE, INDIRECT (LIKE MORTGAGE INTEREST, LAWN CARE) ARE PRO RATED.
- IF IT IS A BUSINESS, YOU WILL PAY SELF EMPLOYMENT TAX.
- IF YOU MATERIALLY PARTICIPATE, THEN ANY LOSS CAN BE OFFSET AGAINST OTHER ORDINARY INCOME (SUCH AS A W-2).
- IF YOU DON'T MATERIALLY PARTICIPATE, AND YOU HAVE A LOSS, YOU DO NOT QUALIFY FOR THE \$25,000 SPECIAL ALLOWANCE FOR REAL ESTATE RENTALS
- IF IT IS NOT A BUSINESS, REPORT ON SCHEDULE E

AND.....

- AFTER A TALKING SHEEPDOG GETS ALL THE SHEEP IN THE PEN, HE REPORTS BACK TO THE FARMER: “ALL 40 ACCOUNTED FOR.” “BUT I ONLY HAVE 36 SHEEP” SAYS THE FARMER.
- WAIT FOR IT.....
- “I KNOW” SAYS THE SHEEPDOG. “I ROUNDED THEM UP”



CALCULATION OF SALE OF RENTAL PROPERTY

DEC 2024, 14 YEARS S/L DEP \$200,000

HOUSE BOUGHT IN JAN 2010, \$100K, \$85K HOUSE, \$15K LAND

	HOUSE	LAND
SALES PRICE ALLOCATED	\$170,000	\$30,000
DEPRECIATION TAKEN	\$47,372	0
BASIS = \$52628	\$ <u>37,628</u>	<u>\$15,000</u>
GAIN=\$147372	<u>\$117,372</u>	<u>\$15,000</u>
TAX AT 28% ON DEP TAKEN	\$ 13,264	
TAX AT 20% MAX	<u>\$ 14,000</u>	<u>\$ 3000</u>
TOTAL TAX \$30,000 MAX	\$27,264	\$3,000

EXCLUDING THE STANDARD DEDUCTION, IF THE TAXPAYERS (JOINT) HAD WAGES OF \$50,000, TAX WOULD BE \$23,308. IF THE TAXPAYERS HAD NO OTHER INCOME, TAX WOULD BE \$15,394

CALCULATION OF SALE OF RENTAL PROPERTY

DEC 2024, 14 YEARS S/L DEP \$200,000

HOUSE BOUGHT IN JAN 2010, \$100K, \$85K HOUSE, \$15K LAND

	HOUSE	LAND
SALES PRICE ALLOCATED	\$170,000	\$30,000
DEPRECIATION TAKEN	\$43,272	0
BASIS = \$56728	<u>\$41,728</u>	<u>\$15,000</u>
GAIN=\$143,272	<u>\$85,000</u>	<u>\$15,000</u>
TAX AT 25% ON DEP TAKEN	\$ 10,818	
TAX AT 20% MAX	<u>\$ 17,000</u>	<u>\$ 3000</u>
TOTAL TAX \$30,818 MAX	\$27,818	\$3,000

TAKING IT FURTHER, IF THE TAXPAYERS (JOINT) HAD WAGES OF \$80,000, RENTAL INCOME OF \$3000, AND TAKING THE STANDARD DEDUCTION, TAX WOULD BE \$8,445. IF THE TAXPAYERS HAD NO OTHER INCOME, TAX WOULD BE \$0. TIPPING POINT IS \$28,000 ORDINARY INCOME. TAX WOULD BE \$24.

Client TEST

DONALD AND MARY BIDEN

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3/11/25

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	2023	2022	Diff
INCOME			
Wages, salaries, tips, etc.....	80,000	0	80,000
Capital gain or loss.....	50,000	0	50,000
Rent, royalty, partnership, SCorp, trust	3,000	115,728	-112,728
Total income.....	133,000	115,728	17,272
ADJUSTMENTS TO INCOME			
Total adjustments.....	0	0	0
Adjusted gross income.....	133,000	115,728	17,272
ITEMIZED DEDUCTIONS			
Taxes.....	4,681	8,548	-3,867
Total itemized deductions.....	4,681	8,548	-3,867
TAX COMPUTATION			
Standard deduction.....	27,700	19,400	8,300
Larger of itemized or standard deduction	27,700	19,400	8,300
Qualified business income deduction.....	600	19,266	-18,666
Taxable income.....	104,700	77,062	27,638
Tax before credits.....	8,445	11,074	-2,629
CREDITS			
Child tax credit & other dependent cr....	0	500	-500
Total credits.....	0	500	-500
Tax after credits.....	8,445	10,574	-2,129
OTHER TAXES			
Total tax.....	8,445	10,574	-2,129
PAYMENTS & REFUNDABLE CREDITS			
Total payments.....	0	0	0
REFUND OR AMOUNT DUE			
Underpayment penalty.....	0	381	-381
Amount you owe.....	8,445	10,955	-2,510
TAX RATES			
Ordinary income tax bracket.....	12.0%	22.0%	-10.0%
Effective tax rate.....	8.1%	13.7%	-5.6%

DO NOT FILE

Client TEST

DONALD AND MARY BIDEN

999-99-9999

3/11/25

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	2023	2022	Diff
INCOME			
Wages, salaries, tips, etc.....	25,000	0	25,000
Capital gain or loss.....	50,000	0	50,000
Rent, royalty, partnership, SCorp, trust	3,000	115,728	-112,728
Total income.....	78,000	115,728	-37,728
ADJUSTMENTS TO INCOME			
Total adjustments.....	0	0	0
Adjusted gross income.....	78,000	115,728	-37,728
ITEMIZED DEDUCTIONS			
Taxes.....	4,681	8,548	-3,867
Total itemized deductions.....	4,681	8,548	-3,867
TAX COMPUTATION			
Standard deduction.....	27,700	19,400	8,300
Larger of itemized or standard deduction	27,700	19,400	8,300
Qualified business income deduction.....	60	19,266	-19,206
Taxable income.....	50,240	77,062	-26,822
Tax before credits.....	24	11,074	-11,050
CREDITS			
Child tax credit & other dependent cr....	0	500	-500
Total credits.....	0	500	-500
Tax after credits.....	24	10,574	-10,550
OTHER TAXES			
Total tax.....	24	10,574	-10,550
PAYMENTS & REFUNDABLE CREDITS			
Total payments.....	0	0	0
REFUND OR AMOUNT DUE			
Underpayment penalty.....	0	381	-381
Amount you owe.....	24	10,955	-10,931
TAX RATES			
Ordinary income tax bracket.....	10.0%	22.0%	-12.0%
Effective tax rate.....	0.0%	13.7%	-13.7%

DO NOT FILE

THINGS THAT ARE CHANGING

- THE QBI DEDUCTION GOES AWAY AFTER 2025
- AS DOES THE LARGER STANDARD DEDUCTION, LOWER INCOME TAX RATES
- WHAT'S GOING TO HAPPEN WITH TRUMP IN OFFICE. MORE THAN LIKELY, A LOT OF THE PROVISIONS WILL BE EXTENDED OR MADE PERMANENT.
- QUESTIONS?

THANK YOU



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