

Tax Reform Bill Effects on Real Estate & Business

The tax reform legislation passed the House last Thursday and is now going to the Senate. The Bill has been met with opposition from both sides. Here are some key points to the Bill:

- Repeal of the Affordable Care Act's requirement to buy insurance.
- Decreases the corporate tax rate from 35% to 20%.
- Reduces the cap on the mortgage interest deduction to \$500,000 from \$1.1M.
- Eliminated mortgage interest deduction on second homes.
- Raised the child tax credit from \$1,000 to \$2,000.
- Eliminated alternative minimum tax which is a supplemental tax meant to benefit high income individuals.
- Doubles the standard deduction- this reduces the amount Americans are taxed – to \$12,000 for individuals. It also raises it to \$24,000 for married couples.
- Pass-through provisions for businesses- sets a new 17.4 percent deduction for "pass-through" income, aimed to help smaller businesses. It would also make it easier for taxpayers to fully benefit from the 17.4 tax deduction.
- Preserves 1031 Like-Kind exchanges which saves property owners when trading assets.

**Current SBA 504 Effective
Rate for
November 2017 lowered to
4.50%**

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- Reduces number of tax brackets from seven to four- with respective tax rates of 12 percent, 25 percent, 35 percent and 39.6 percent.
 - Revised carried interest tax breaks by requiring hedge funds to abide by a two-year holding period put in place to benefit long term venture capitalist and real estate partnerships.
 - Eliminates private activity bonds- could lead to a serious drop in low-income housing construction because developers would no longer be eligible for the 4% credit available to projects funded, at least in part, through tax-exempt private-activity bonds.
 - Proposed elimination of reductions for state and local income taxes.

This is a brief summary of many of the main issues proposed in the Bill. The Senate is expected to vote after the week of November 27th.

Source: Bisnow Newsletter November 17, 2017 and CoStar

Gold Line Extension Moving Forward

The Gold Line extension from Glendora to Montclair which spans 12.3 miles was approved with \$1.5 billion proposed budget. The Foothill Gold Line Construction Authority just sent out Requests for Qualifications to contractors to begin the design build plans. There will be six stations estimated to begin construction in 2020 through 2026. A contractor has been

Hired to relocate underground utilities along the route which is estimated to cost \$2.7M. The stations will be located in Glendora, San Dimas, La Verne, Claremont, Pomona and Montclair. There have been issues due to conflicts with Metrolink who is requesting four to six additional train bridges that would separate the Gold Line from the street level. This is due to both

Operators sharing paths along the railway.



Source: San Gabriel Valley Tribune and Connect Newsletter

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Linda Vidov-Elkaim (CA Broker Lic. #1715788)

Linda specializes in commercial and industrial sales and leasing throughout the San Gabriel Valley. She has extensive knowledge in 1031 exchange transactions, investment opportunities, and market analysis. Feel free to contact Linda with any questions or requests for information.

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