

Mortgage & Real Estate Taxation



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DAAR Dulles Area
Association of REALTORS[®]
The Association of Choice for Real Estate Professionals[™]



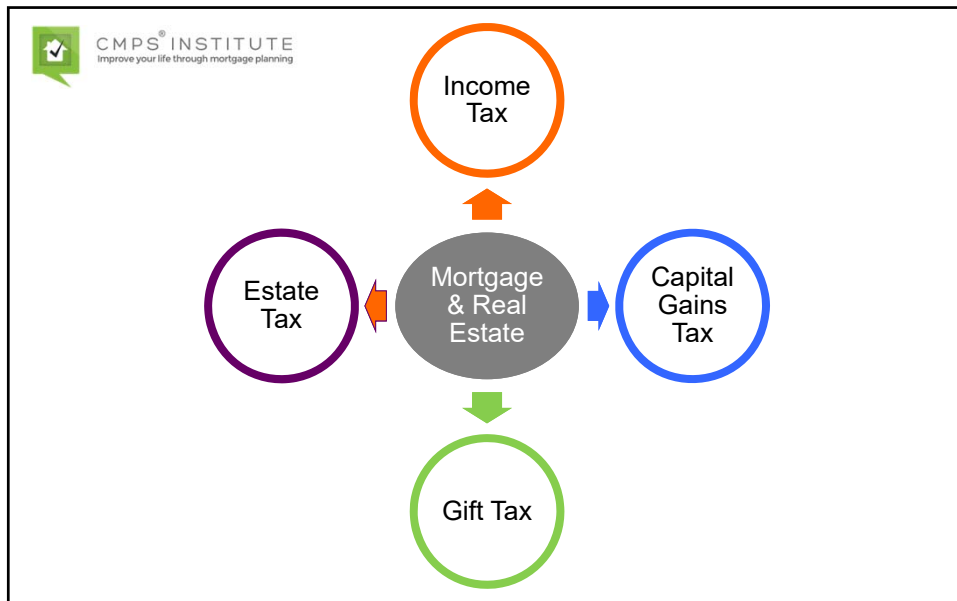
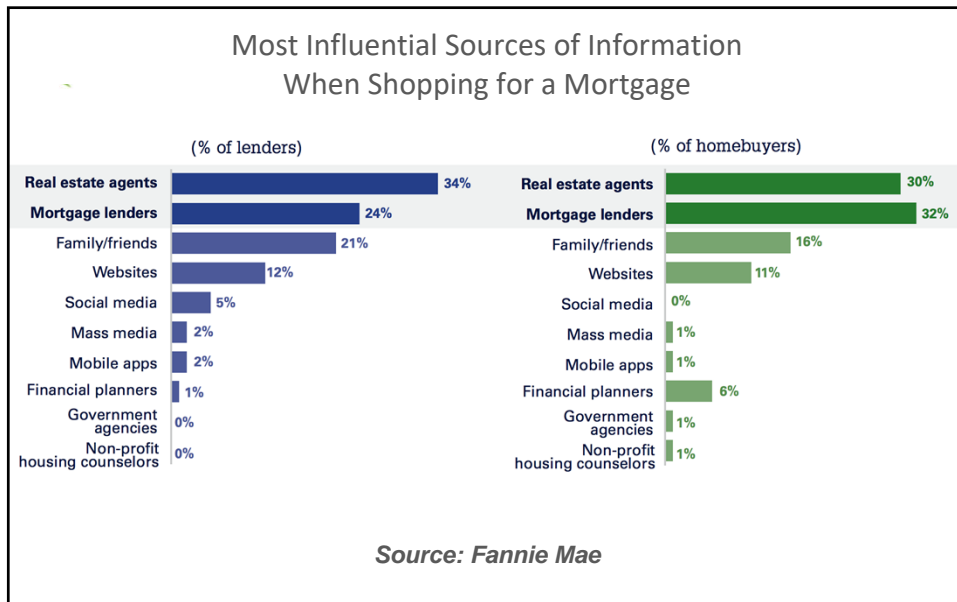
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Jen Du Plessis, CMPS, CDLP, CME
Mortgage Lending since 1983
NMLS #192843
VP, Regional Sales Director

Experience Matters

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Learning Objectives

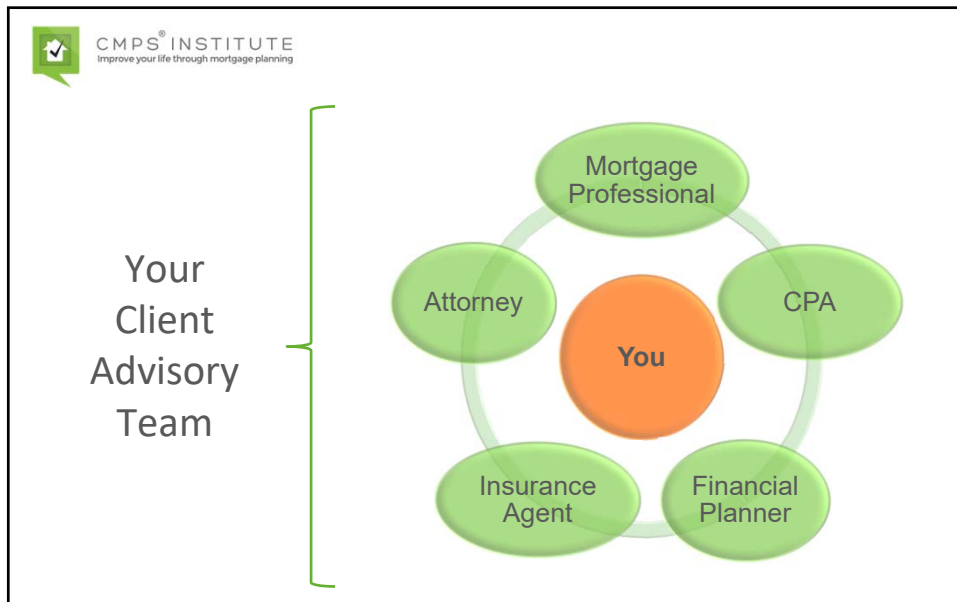
- ✓ Mortgage interest deduction
- ✓ How tax basis works and why it matters
- ✓ How to make better use of the primary residence exclusion to the capital gains tax
- ✓ How the 3.8% investment tax works
- ✓ How the capital gains tax works
- ✓ How rental income, depreciation, capital gains, and capital losses are taxed on investment properties
- ✓ How the gift tax works
- ✓ How to make better use of the annual and lifetime exclusions to the gift tax
- ✓ Private loans between family members

Are Your Clients
Better or **Worse**
Off Because of
You?

Do Give
Clients
Helpful
Information.

Don't Give
Clients
Tax Advice.

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The slide features a dark grey speech bubble on the left containing the text "Understand the Language of Financial Advisors & CPAs". To the right of the speech bubble is a list of three bullet points, each preceded by a green checkmark.

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Understand the Language of Financial Advisors & CPAs

- ✓ Solve problems for CPAs and financial advisors that other real estate agents don't know how to solve
- ✓ Help clients avoid bad ideas that put them in a worse tax situation
- ✓ Avoid legal liability

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 CMPS [®] INSTITUTE <small>Improve your life through mortgage planning</small>		2018 Marginal Tax Brackets		
Tax Rate	Single Filers	Married Filing Jointly	Married Filing Separately	Head of Household
10%	Up to \$9,525	Up to \$19,050	Up to \$9,525	Up to \$13,600
12%	\$9,526 - \$38,700	\$19,051 - \$77,400	\$9,526 - \$38,700	\$13,601 - \$51,800
22%	\$37,701 - \$82,500	\$77,401 - \$165,000	\$38,701 - \$82,500	\$51,801 - \$82,500
24%	\$82,501 - \$157,500	\$165,001 - \$315,000	\$82,501 - \$157,500	\$82,501 - \$157,500
32%	\$157,501 - \$200,000	\$315,001 - \$400,000	\$157,501 - \$200,000	\$157,501 - \$200,000
35%	\$200,001 - \$500,000	\$400,001 - \$600,000	\$200,001 - \$300,000	\$200,001 - \$500,000
37%	\$500,001 or more	\$600,001 or more	\$300,001 or more	\$500,001 or more


Note: Tax brackets change frequently. Consult a CPA for details.

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	<p>\$200,000 income</p> <p>- \$20,000 tax deduction</p> <hr style="width: 10%; margin: 0 auto;"/> <p>\$180,000 taxable income</p>

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Tax Deduction
=
Percentage Off
Coupon

Marginal Tax Bracket:
Ink That Tells You
Your % Off



50%

10%

20%

30%

40%

60%

70%

80%

90%

After-Tax
Expense

\$

\$20,000 Interest Expense

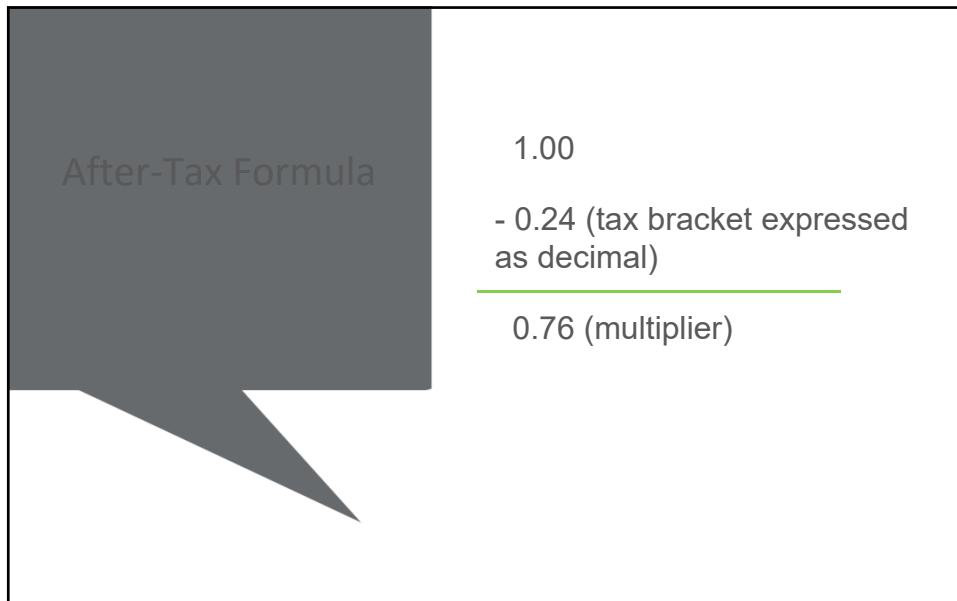
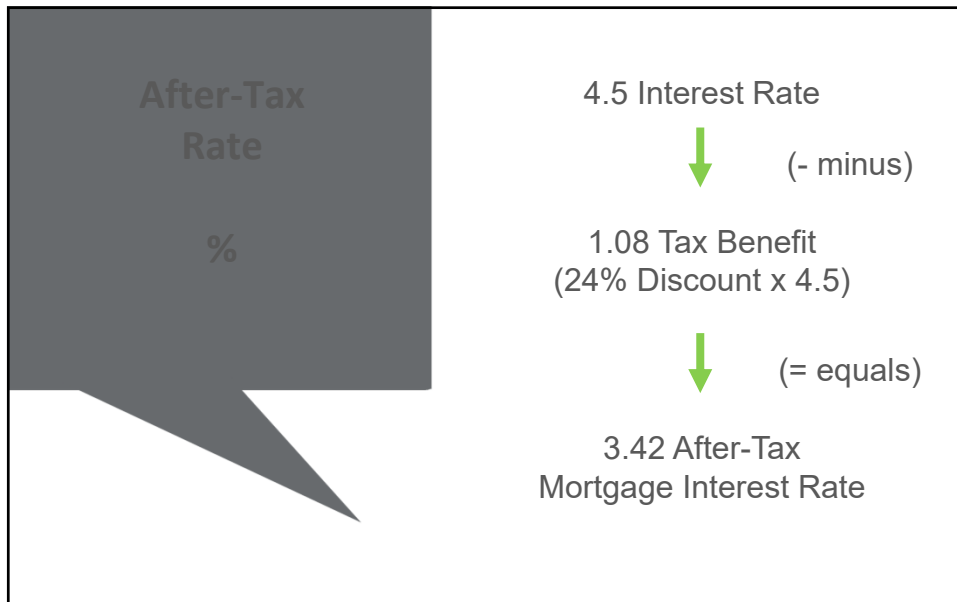
↓ (- minus)

\$4,800 Tax Benefit
(24% Discount x \$20,000)

↓ (= equals)

\$15,200 After-Tax
Mortgage Interest Expense

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After-Tax Interest Rate Formula

Interest Rate x Multiplier =
Net After-Tax Rate


$$\begin{array}{r} 4.5 \text{ tax deductible rate} \\ \times 0.76 \text{ Multiplier} \\ \hline \mathbf{3.42} \text{ after-tax rate} \end{array}$$

After-Tax Interest Expense Formula


Interest Expense x Multiplier =
Net After-Tax Expense

$$\begin{array}{r} \$20,000 \text{ tax deductible expense} \\ \times 0.76 \text{ Multiplier} \\ \hline \mathbf{\$15,200} \text{ after-tax expense} \end{array}$$

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 **Standard Deduction**


✓ Note: taxpayers who use the standard deduction don't benefit from itemized deductions like mortgage interest or property taxes. Please see IRS Publication 501 for more details.


 **Standard Deduction**

Old (2017)	New (2018)	Impact
\$6,350 Individual	\$12,000 Individual	Increase in standard deduction means that far less people are likely to itemize.* FTHB: focus on non-tax benefits of homeownership
\$12,000 Married	\$24,000 Married	

*For example, assume your mortgage interest and property taxes are \$20,000 per year, and you are married filing jointly. This is less than the \$24,000 standard deduction, so you will likely take the standard deduction.

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		State & Local Taxes (SALT)
Old (2017)	New (2018)	Impact
No limit when deducting from federal income tax	\$10,000 limit when deducting from federal income tax	<p>1) Reduces Incentive to Itemize.</p> <p>2) Increases Cost of Homeownership in High-cost States.</p> <p>Clients: focus on non-tax benefits of homeownership</p>

	
Old (pre-2018)	New (2018)
Many homebuyers were likely to itemize and experience the tax benefits of paying mortgage interest and property taxes vs. paying rent.	Few homebuyers are likely to itemize. The ones who do itemize won't experience that much of a difference in buying vs. renting because they could have received a large standard deduction anyway.

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Mortgage Interest, Points & Mortgage Insurance



Qualified Residence

- ✓ Actual Residence
 - ✓ sleeping space
 - ✓ toilet & bath facilities
 - ✓ cooking or kitchen equip.
- ✓ Used by Tax Payer
- ✓ Elected by Tax Payer

- | | |
|----------------|----------|
| 1. House | 4. Boat |
| 2. Condo | 5. House |
| 3. Mobile Home | Trailer |

2nd Homes If Rented Out

- ✓ Personal use for at least 14 days per year
- ✓ At least 10% of the number of days for which it is rented at fair market value



200 days rented out

x

10%

=

Must Live in the Home for

20 Days

(If you want to deduct the interest)

How Many Qualified Homes?

A taxpayer can have up to two qualified homes for tax purposes

- ✓ One primary residence, plus
- ✓ One vacation home

A taxpayer can choose which home(s) he/she wishes to "elect" as a qualified residence for tax purposes.

1st Lien or Subordinate Lien
HELOC or Closed-end Mortgage

Buy. Build. Improve.

Acquisition
Indebtedness
(\$750,000)

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\$500,000 Acquisition Indebtedness
+
\$300,000 Home Equity Indebtedness
=
\$750,000 Total Limit on BOTH
(Qualified Homes Combined)

Acquisition Indebtedness Illustration

\$500k Purchase Price
\$100k Orig. Mortgage
\$50k Balance Later On

New \$400k C/O Refinance
(NOT for home improvements):

\$50k Deductible as Acq. Int.

\$350k NOT DEDUCTIBLE

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Acquisition Indebtedness Illustration

\$500k Purchase Price
 \$100k Orig. Mortgage
 \$50k Balance Later On

New \$400k C/O Refinance
 (for home improvements):

\$400k Deductible as Acq. Int.




Mortgage Interest Deduction

	Old	New
Acquisition Indebtedness Limit	\$1,000,000	\$750,000 \$1M limit still applies to: [a] mortgages incurred on or before Dec. 15, 2017, or, [b] mortgages incurred on or before April 1, 2018 if contract was signed prior to Dec. 16, 2017 to close by Jan. 1, 2018. [c] rate and term refinances of mortgages incurred on or before Dec. 15, 2017
Home Equity Indebtedness Limit	\$100k if no AMT	ZERO home equity indebtedness deduction

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When is Mortgage Interest Tax Deductible?

Contrary to popular belief, mortgage interest is not always tax deductible. Here's the inside scoop:

- 1. Do you itemize your tax deductions?**

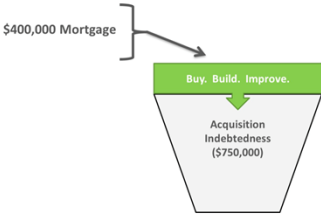
You cannot take the mortgage interest deduction if you are taking the standard deduction. In 2018, the standard deduction is \$12,000 for single taxpayers, \$18,000 for heads of household, and \$24,000 for married taxpayers filing a joint return. Please see a CPA for details.
- 2. Is Your Home a "Qualified Residence"?**

Mortgage interest is only deductible if the mortgage is attached to a "qualified residence". Taxpayers can generally deduct the mortgage interest on two qualified homes:


 - ✓ One Primary Residence; and,
 - ✓ One Vacation Home
- 3. Is Your Mortgage Classified as "Acquisition Indebtedness" or "Home Equity Indebtedness"?**

Your mortgage or home equity line of credit is considered "acquisition indebtedness" if it was used to buy, build or improve a qualified residence. Generally, you can deduct the interest on mortgage balances up to \$750,000 of Acquisition Indebtedness. Here are two examples:

 - ✓ Jane buys her \$500,000 primary residence using a \$400,000 mortgage. Jane would be able to deduct the interest on the \$400,000 mortgage as acquisition indebtedness because (1) the mortgage was to buy a qualified residence; and, (2) the mortgage falls within the \$750,000 limit.
 - ✓ Janice buys her \$500,000 primary residence with cash. A year later, Janice does a cash-out refinance and puts a \$400,000 mortgage on the home. The funds are not used for home improvements. Janice would NOT be able to deduct the interest on the new \$400,000 mortgage because the funds were not used to buy, build or improve the house.




The diagram illustrates the classification of a mortgage. A bracket labeled "\$400,000 Mortgage" points to a green box labeled "Buy, Build, Improve." An arrow points from this box to a trapezoidal shape labeled "Acquisition Indebtedness (\$750,000)".



Home Improvements

- (1) "Substantial Improvement"**
 - ✓ Adds to the value of the home
 - ✓ Prolongs the home's useful life, or
 - ✓ Adapts the home to new uses
- (2) 24-Month Look Back Period**
- (3) 12-Month Look Forward Period**



The illustration shows a 3D model of a house, a red hard hat, and a set of blue architectural blueprints with a pencil and a ruler resting on them.



Three Things You Should Know About Pulling Cash-out For Home Improvement

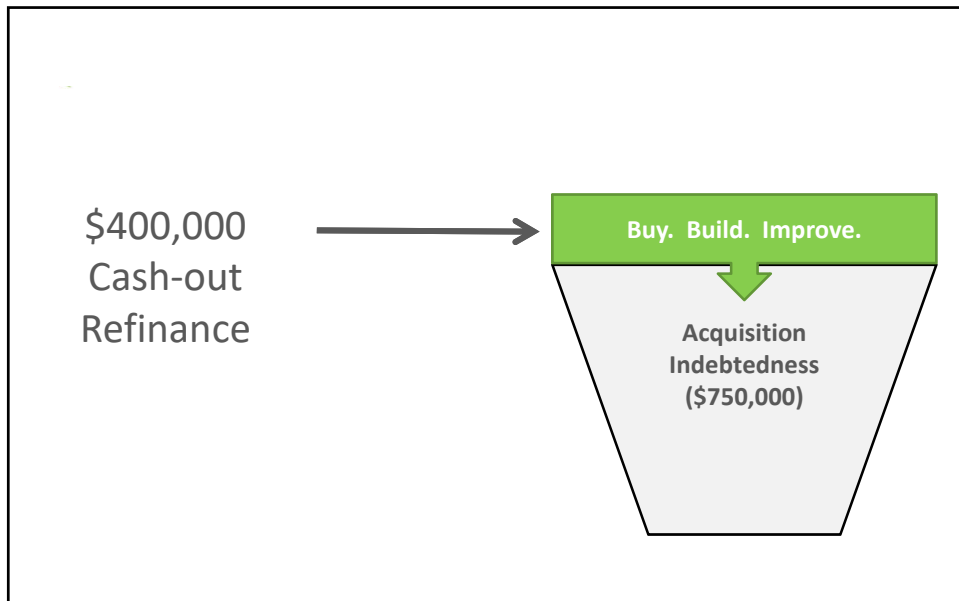
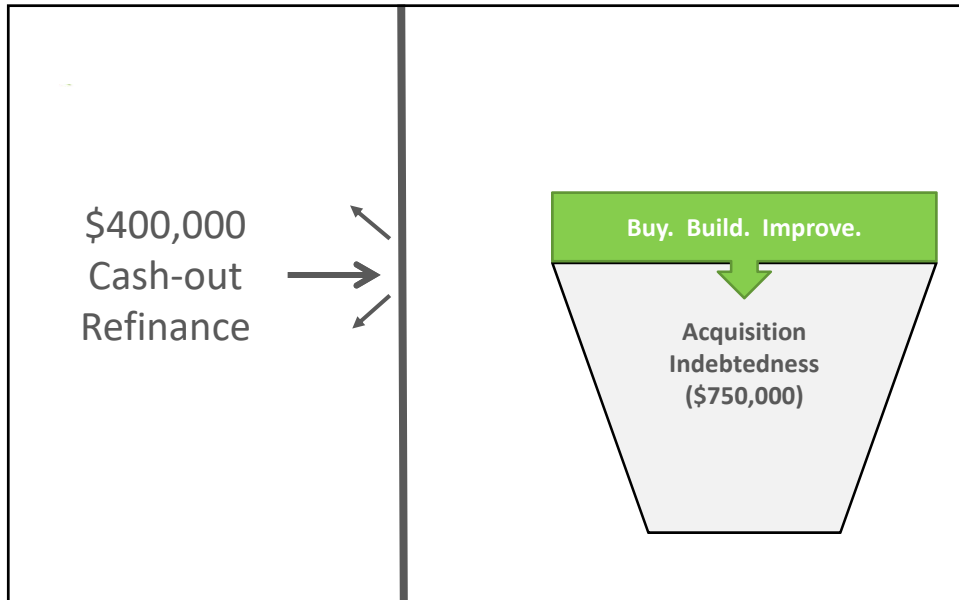
There are three tax rules you should know about when you're considering a cash-out refinance to fund home improvements:

1. **In order to deduct the interest on the mortgage as acquisition indebtedness, the IRS requires the project to be a "Substantial Improvement" that:**
 1. Adds to the value of the home
 2. Prolongs the home's useful life, or



Is it smart to pull cash out of a primary home to purchase a **vacation home**?

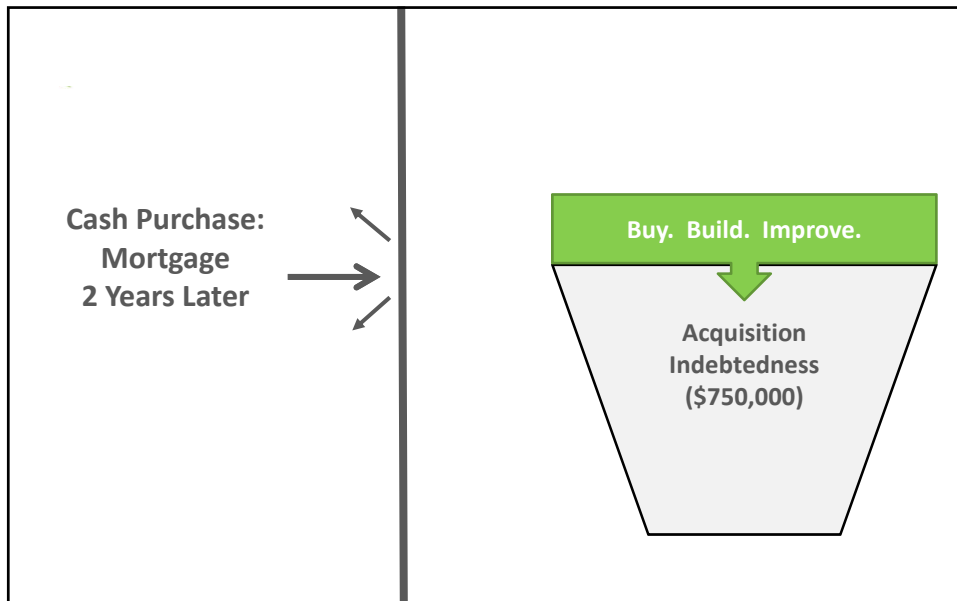
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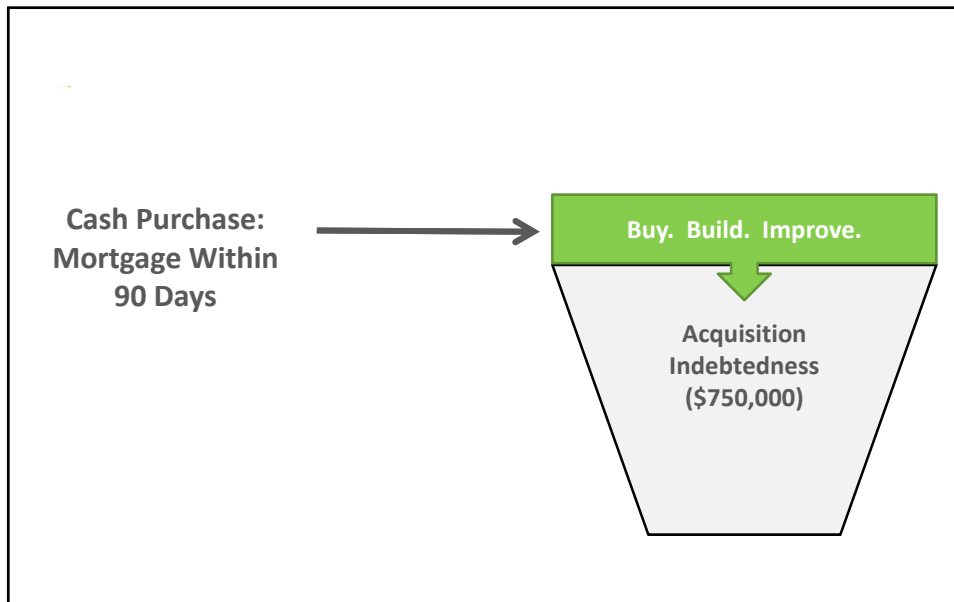
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Is it smart to **pay cash** for a house?



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“Delayed Financing Exception”	✓	Requirements for a Delayed Financing Exception
		The original purchase transaction was an arms-length transaction.
		For this refinance transaction, the borrower(s) must meet Fannie Mae’s borrower eligibility requirements as described in B2-2-01, General Borrower Eligibility Requirements . The borrower(s) may have initially purchased the property as one of the following: <ul style="list-style-type: none"> • a natural person; • an eligible <i>inter vivos</i> revocable trust, when the borrower is both the individual establishing the trust and the beneficiary of the trust; • an eligible land trust when the borrower is the beneficiary of the land trust; or • an LLC or partnership in which the borrower(s) have an individual or joint ownership of 100%.
		The original purchase transaction is documented by a settlement statement, which confirms that no mortgage financing was used to obtain the subject property. (A recorded trustee’s deed (or similar alternative) confirming the amount paid by the grantee to trustee may be substituted for a settlement statement if a settlement statement was not provided to the purchaser at time of sale.) The preliminary title search or report must confirm that there are no existing liens on the subject property.
		The sources of funds for the purchase transaction are documented (such as bank statements, personal loan documents, or a HELOC on another property).
		If the source of funds used to acquire the property was an unsecured loan or a loan secured by an asset other than the subject property (such as a HELOC secured by another property), the settlement statement for the refinance transaction must reflect that all cash-out proceeds be used to pay off or pay down, as applicable, the loan used to purchase the property. Any payments on the balance remaining from the original loan must be included in the debt-to-income ratio calculation for the refinance transaction. Note: Funds received as gifts and used to purchase the property may not be reimbursed with proceeds of the new mortgage loan.
		The new loan amount can be no more than the actual documented amount of the borrower’s initial investment in purchasing the property plus the financing of closing costs, prepaid fees, and points on the new mortgage loan (subject to the maximum LTV/CLTV/HCLTV ratios for the cash-out transaction based on the current appraised value).
		All other cash-out refinance eligibility requirements are met with the exception of continuity of obligation, which need not be applied. Cash-out pricing is applicable.

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Tax Basis & Capital Gain

\$200,000 Orig. Purch. Price
\$5,000 Closing Costs
+ \$45,000 Improvements
<hr/>
\$250,000 Basis
\$500,000 Sales Price
- \$250,000 Basis
<hr/>
\$250,000 Capital Gain

Basis is the Cost of Purchasing, Building or Improving a Property


A white box with a black border containing a calculation. The text is left-aligned. A grey speech bubble on the right contains the definition of basis.

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15% Capital Gains Tax Rate!

$$\begin{aligned} & \$250,000 \text{ Capital Gain} \\ & \quad \times \\ & 15\% \text{ Capital Gains Tax} \\ & \quad = \\ & \$37,500 \text{ Taxes Due} \end{aligned}$$

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Capital Gains Tax Rate

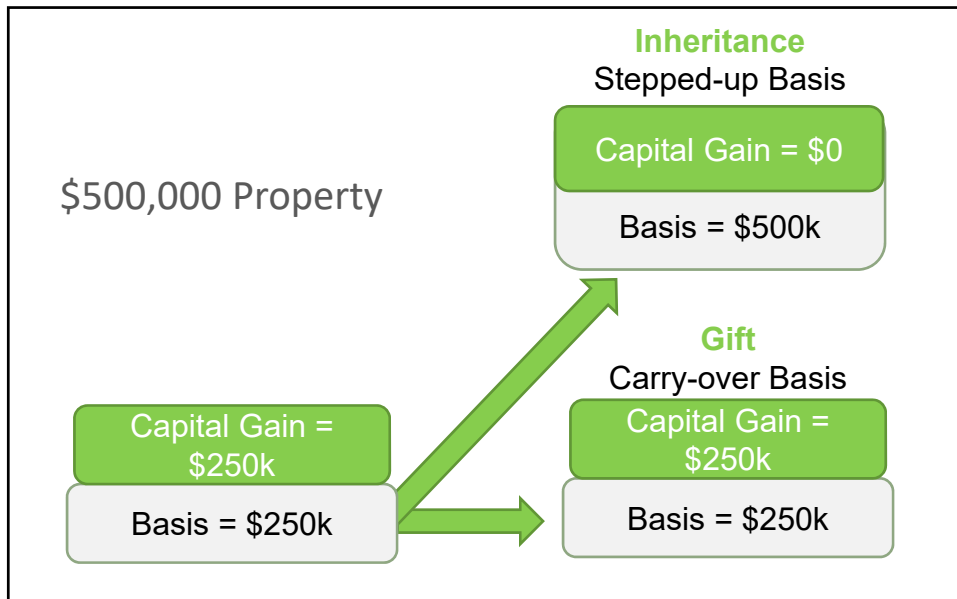
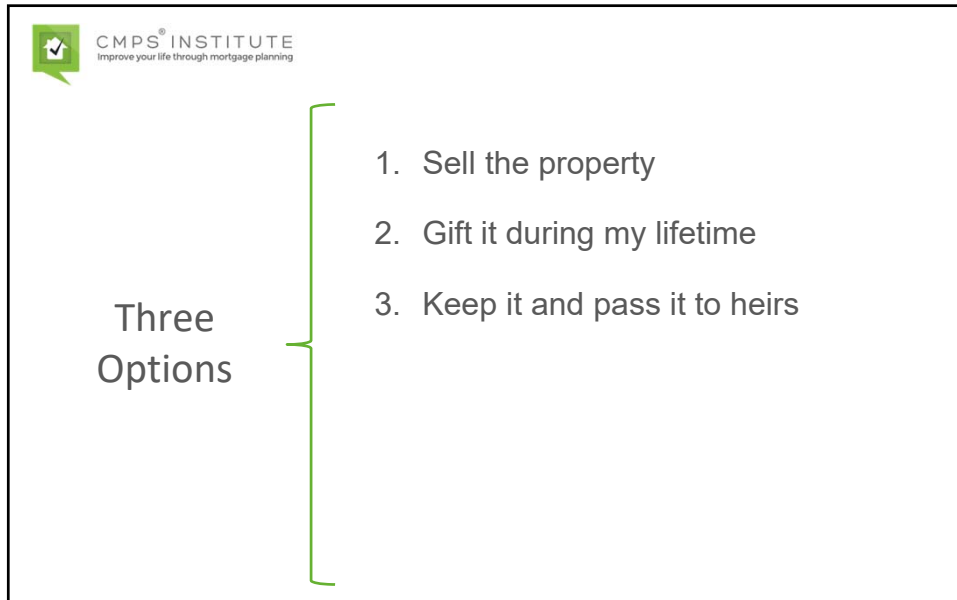
0% if your income tax bracket is 10% or 12%

15% if your income tax bracket is 22%, 24%, 32%, or 35%

20% if your income is more than:

- ✓ \$479,000 (MFJ); or,
- ✓ \$452,400 (head of household); or,
- ✓ \$425,800 (individual)

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Principal Residence Exclusion

\$500,000:

- ✓ Married Couples Filing Jointly
- ✓ Widows & Widowers who sell w/in 2 years of spouse's death

\$250,000:

- ✓ Individuals
- ✓ Married Couples Filing Separately

- ✓ Must Live in Home As Primary Residence for 2 Out of the Last 5 Years
- ✓ **Do Not** Have to Use Proceeds to Buy Another Home



Please Note...

- ✓ You Can Use the Exclusion **Once Every Two Years.**
- ✓ Exclusion **Doesn't Apply to Vacation Homes.**

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Principal Residence Exclusion

- \$1mm Sales Price
- \$250k Basis
 - \$60k Costs of Sale (6%)
 - \$500k Pr. Res. Excl.
-
- \$190k Taxable Gain**

\$190k Taxable Gain
X 15% Capital Gains Tax Rate

\$28,500 Capital Gains Tax

Conversion: Rental to Primary

1/1/2009 - Purchase

- ✓ 8 years rental
- ✓ 80% of ownership period

1/1/2017 – Convert to Primary

- ✓ 2 years residence
- ✓ 20% of ownership period

1/1/2019 – Sell

- ✓ Can Only Exclude 20% of the Gain

Quick Tip:

If you rent out the property
BEFORE you live in it as
your primary home, you
must perform the
calculation

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\$600,000 Sales Price

-

\$100,000 Basis

=

\$500,000 Capital Gain



\$500,000 Capital Gain

X

20% Ownership Period

=

\$100,000 Exclusion

\$500,000 Capital Gain

-

\$100,000 Exclusion

=

\$400,000 Taxable Gain

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Conversion: Primary to Rental

1/1/2009 - Purchase

- ✓ 8 years residence
- ✓ 80% of ownership period

1/1/2017 - Convert to Rental

- ✓ 2 years rental
- ✓ 20% of ownership period

1/1/2019 - Sell

- ✓ Receive Full Exclusion

Quick Tip:

If you rent out the property AFTER you live in it as your primary home, you do not need to perform the calculation

3.8% Net Investment Income Tax

- ✓ Capital Gain on Sale of Primary Home *in excess of exclusion*
- ✓ Capital Gain on Sale of Vacation Home
- ✓ Capital Gain on Sale of Investment Property

15% Capital Gain Tax
+
3.8% Investment
Income Tax

**Subject to income limitation: \$250k Married Filing Jointly or \$200k Single*

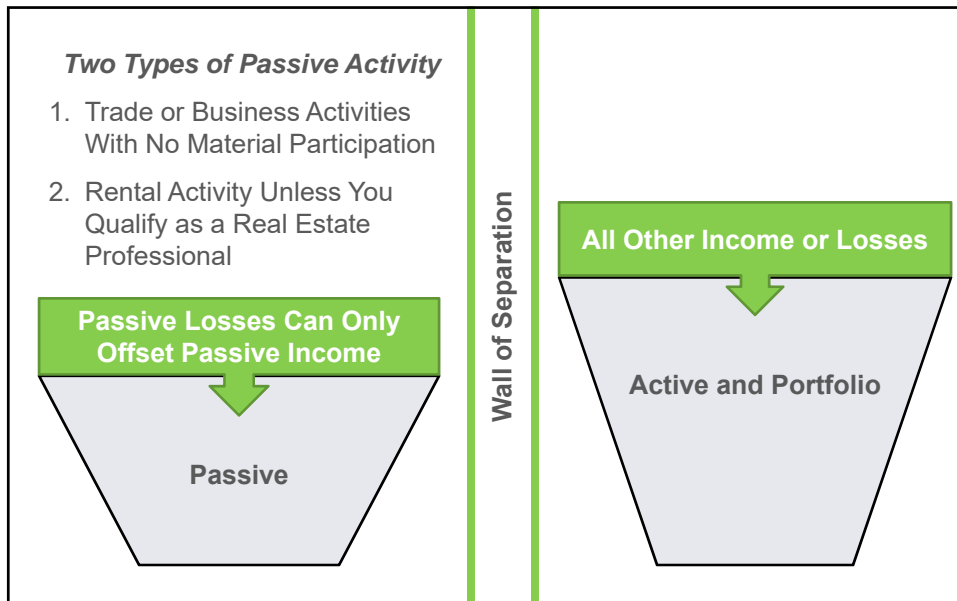
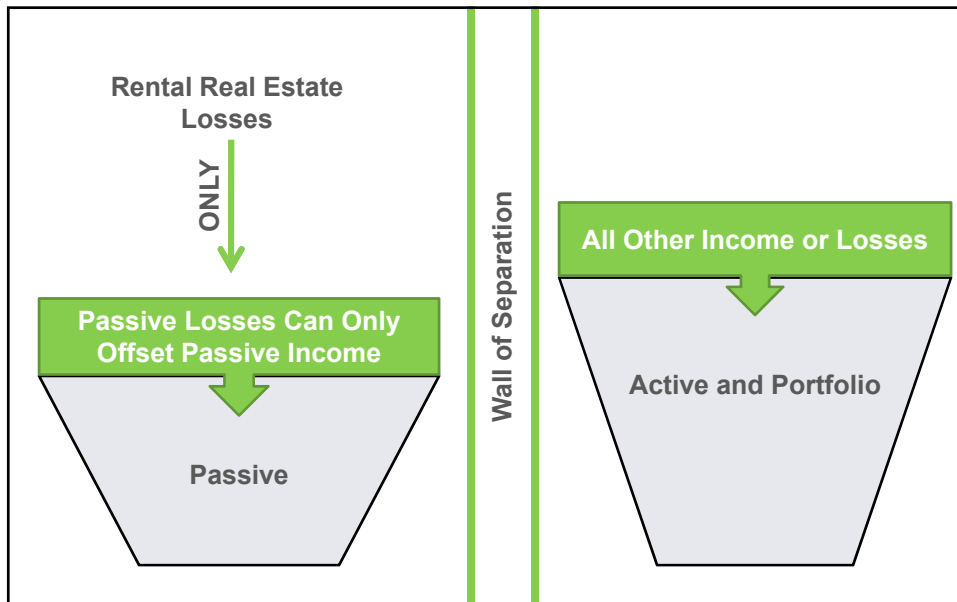
Investment Property Taxation



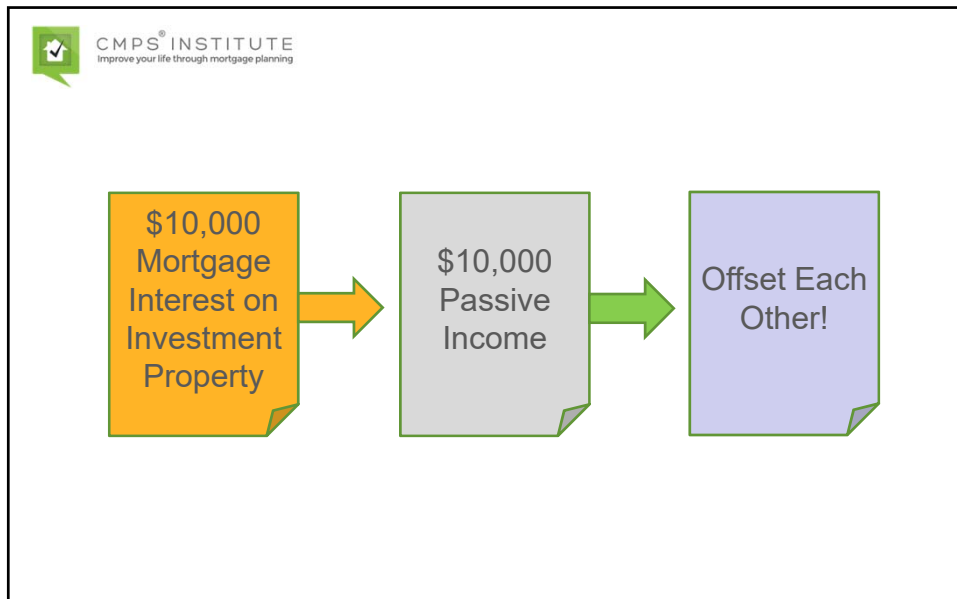
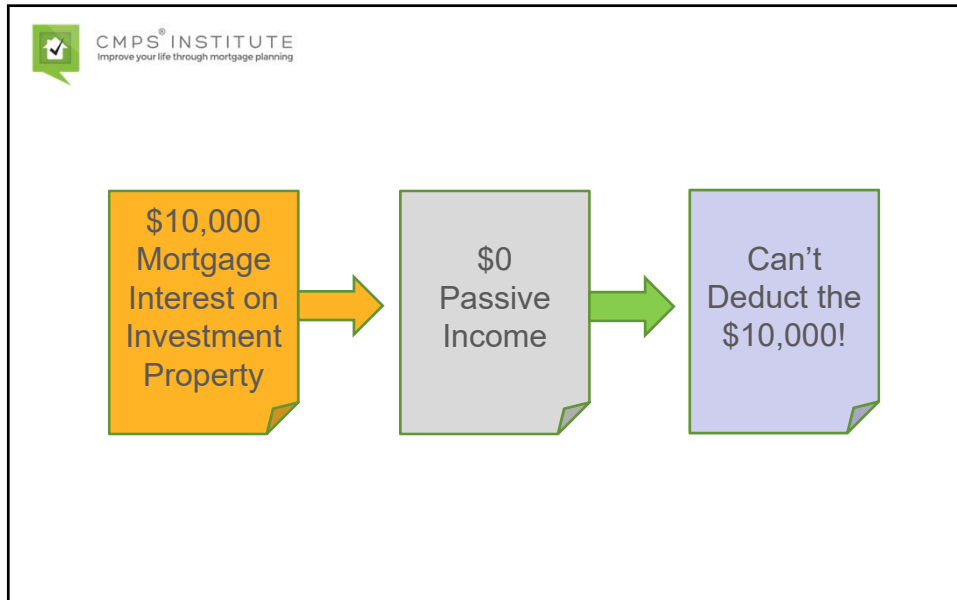
Investment
Properties Have
Different Rules

- ① Passive / Active / Portfolio Income
- ② Depreciation
- ③ 1031 Exchanges

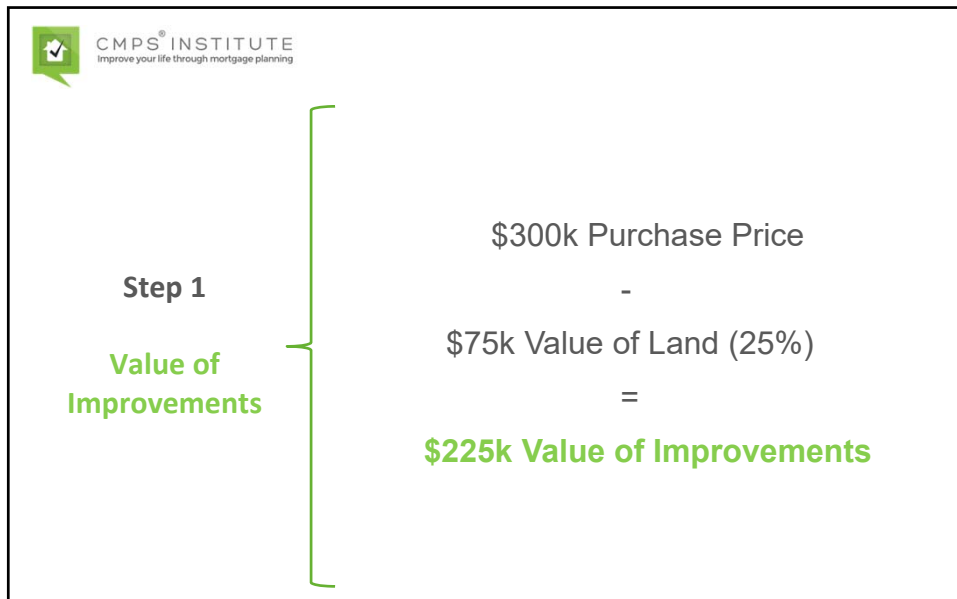
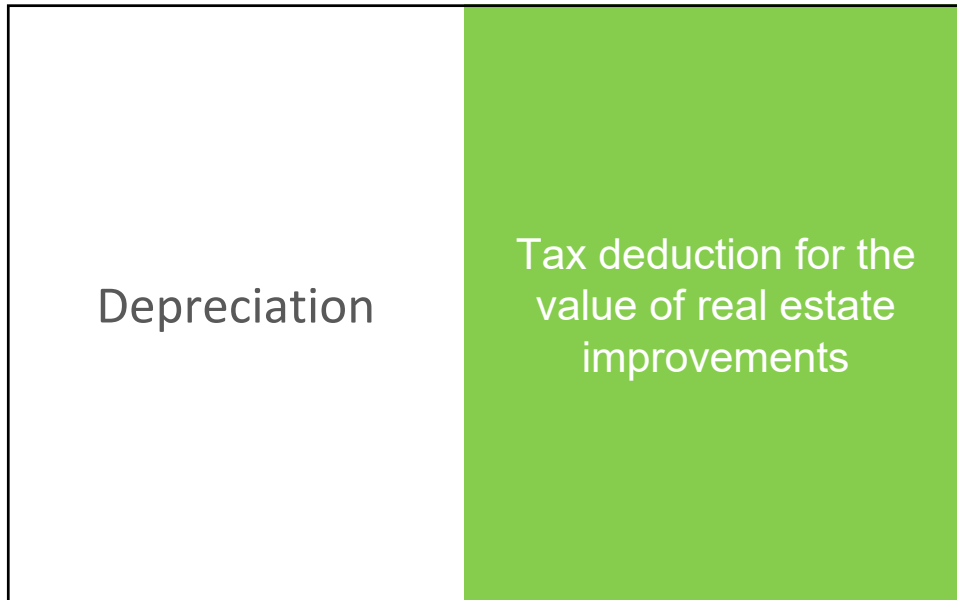
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Step 2

Annual Depreciation

$$\begin{array}{r} \$225\text{k Value of Improvements} \\ / \\ 27.5 \text{ years} \\ = \\ \mathbf{\$8,182 \text{ annual tax deduction}} \\ \mathbf{\text{(depreciation)}} \end{array}$$


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Step 3

Total Depreciation

$$\begin{array}{r} \$8,182 \text{ Depreciation} \\ \times \\ 5 \text{ Years (holding period)} \\ = \\ \mathbf{\$40,910 \text{ Total Depreciation}} \end{array}$$

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Step 4
Adjusted Basis

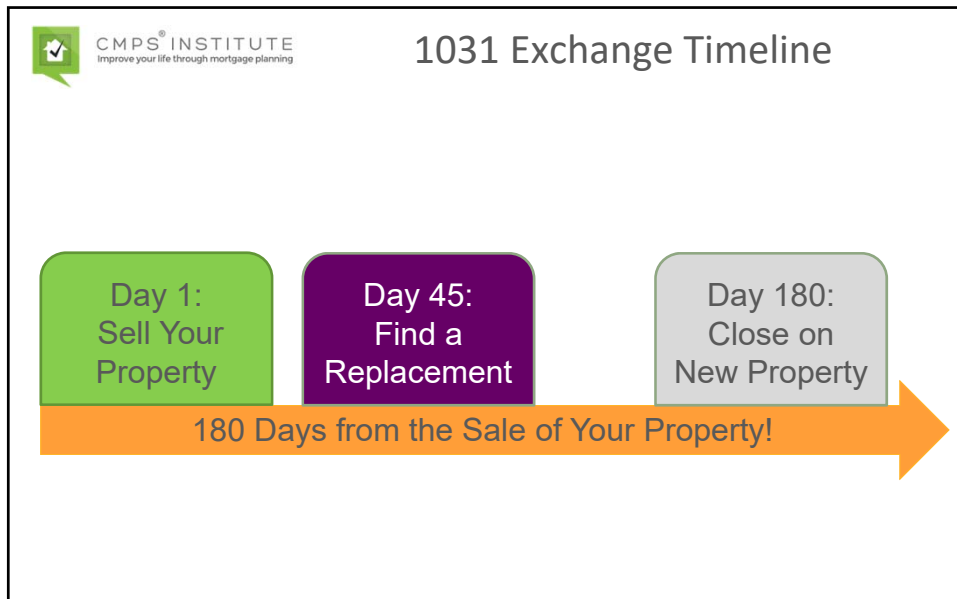
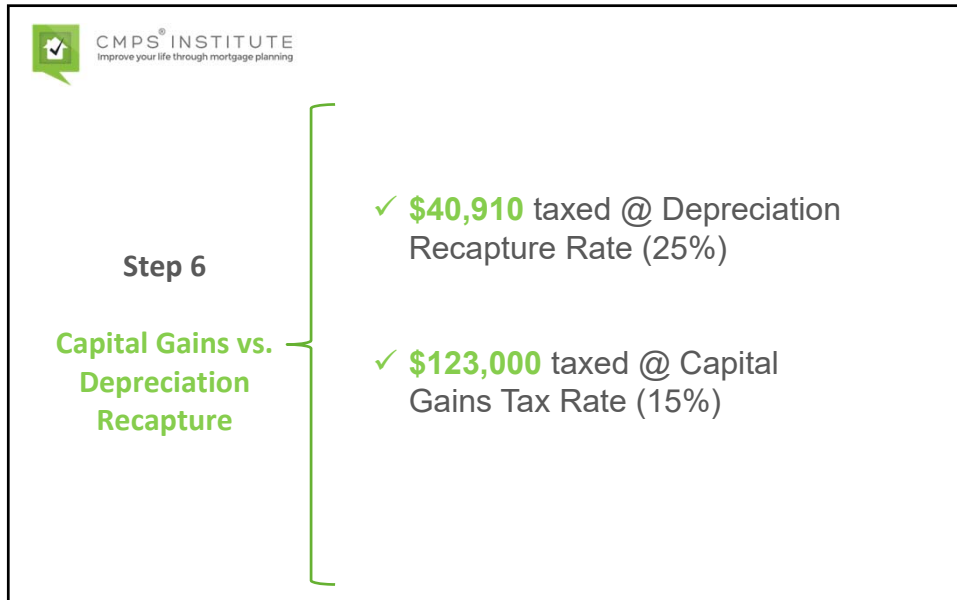
$$\begin{array}{r} \$300,000 \text{ Original Basis} \\ - \\ \$40,910 \text{ Total Depreciation} \\ = \\ \mathbf{\$259,090 \text{ Adjusted Basis}} \end{array}$$

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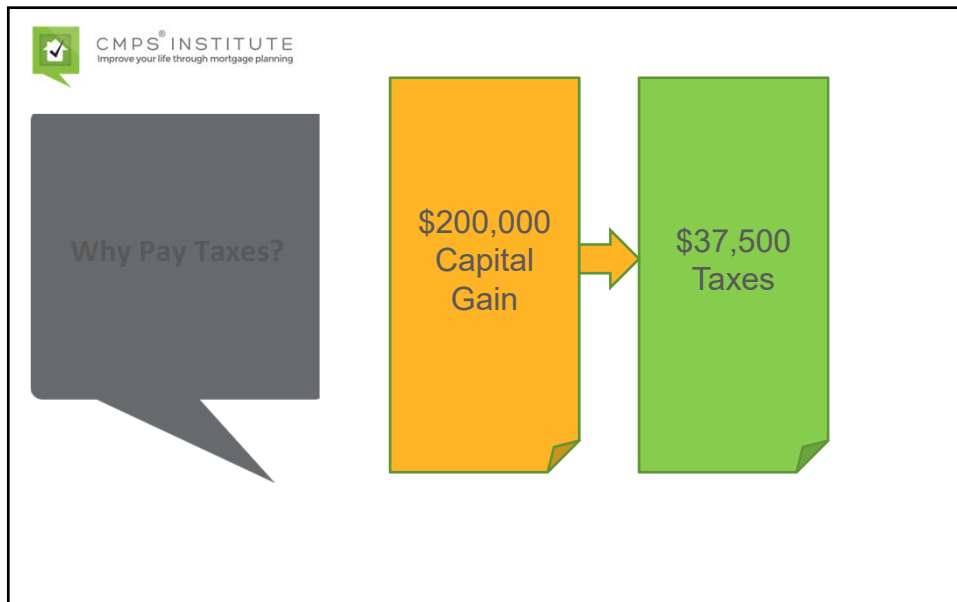
Step 5
Taxable Gain

$$\begin{array}{r} \$450,000 \text{ Sales Price} \\ - \\ \$27,000 \text{ Costs of Sale (6\%)} \\ - \\ \$259,090 \text{ Adjusted Basis} \\ = \\ \mathbf{\$163,910 \text{ Taxable Gain}} \end{array}$$

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1031 Exchange


- ✓ No Limit on Number of Times You Can Use 1031 Exchange.
- ✓ Heirs Receive a Step-up In Basis.
- ✓ 1031 Exchange is Ideal for Long-Term Investors.
- ✓ You Can Use 1031 Exchange to Diversify – One into Many
- ✓ You Can Use 1031 Exchange to Consolidate – Many into One



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Real Estate Rental Income

Old	New	Impact
Taxed at ordinary rates (up to 39.6%)	Taxed at ordinary rates, but with up to a 20% deduction	More attractive to invest in real estate... profitably!


Example for Investor Earning \$200,000/year

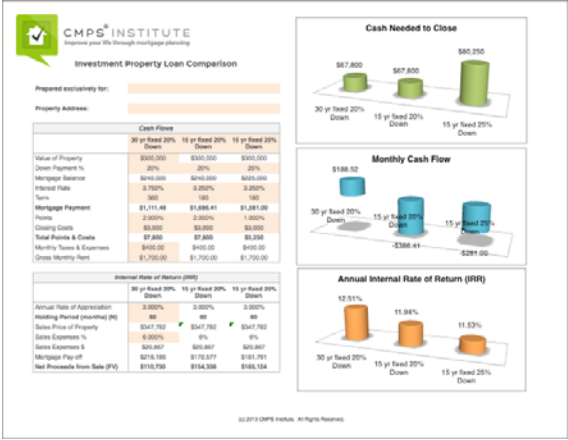
	Old (2017)	New (2018)
Annual Income from Real Estate	\$10,000	\$10,000
Tax Deduction	\$0	\$2,000
Taxable Income from Real Estate	\$10,000	\$8,000
Federal Income Tax Rate (MFJ)	28%	24%
Federal Income Tax	\$2,800	\$1,920

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Investment Property Loan Comparison Calculator



Investment Property Loan Comparison Calculator



Investment Property Loan Comparison


Prepared exclusively for: _____
Property Address: _____

Cash Flows	30 yr Fixed 20% Down			15 yr Fixed 20% Down			15 yr Fixed 25% Down				
	Value of Property	Down Payment %	Mortgage Balance	Interest Rate	Term	Mortgage Payment	Points	Closing Costs	Total Proceeds & Costs	Monthly Taxes & Expenses	Gross Monthly Rent
Value of Property	\$300,000	20%	\$240,000	3.750%	360	\$1,111.48	2.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Down Payment %	20%	20%	20%	3.000%	180	\$1,588.41	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Mortgage Balance	\$240,000	\$240,000	\$240,000	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Interest Rate	3.750%	3.000%	3.000%	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Term	360	180	180	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Mortgage Payment	\$1,111.48	\$1,588.41	\$1,288.00	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Points	2.000%	1.000%	1.000%	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Closing Costs	\$3,000	\$3,000	\$3,000	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Total Proceeds & Costs	\$7,800	\$7,800	\$7,800	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Monthly Taxes & Expenses	\$405.00	\$405.00	\$405.00	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00
Gross Monthly Rent	\$1,700.00	\$1,700.00	\$1,700.00	3.000%	180	\$1,288.00	1.000%	\$3,000	\$7,800	\$405.00	\$1,700.00

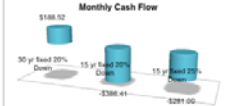
Internal Rate of Return (IRR)

Annual Rate of Appreciation	30 yr Fixed 20% Down			15 yr Fixed 20% Down			15 yr Fixed 25% Down		
	IRR	IRR	IRR	IRR	IRR	IRR	IRR	IRR	IRR
Annual Rate of Appreciation	2.000%	3.000%	3.000%	2.000%	3.000%	3.000%	2.000%	3.000%	3.000%
Net Proceeds from Sale (P)	\$347,782	\$347,782	\$347,782	\$347,782	\$347,782	\$347,782	\$347,782	\$347,782	\$347,782
Sales Expenses %	3.000%	3%	3%	3.000%	3%	3%	3.000%	3%	3%
Sales Expenses \$	\$10,433	\$10,433	\$10,433	\$10,433	\$10,433	\$10,433	\$10,433	\$10,433	\$10,433
Mortgage Pay-off	\$218,188	\$172,577	\$181,791	\$218,188	\$172,577	\$181,791	\$218,188	\$172,577	\$181,791
Net Proceeds from Sale (P)	\$119,158	\$154,771	\$156,918	\$119,158	\$154,771	\$156,918	\$119,158	\$154,771	\$156,918

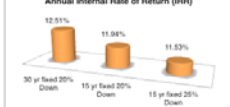
Cash Needed to Close



Monthly Cash Flow




Annual Internal Rate of Return (IRR)



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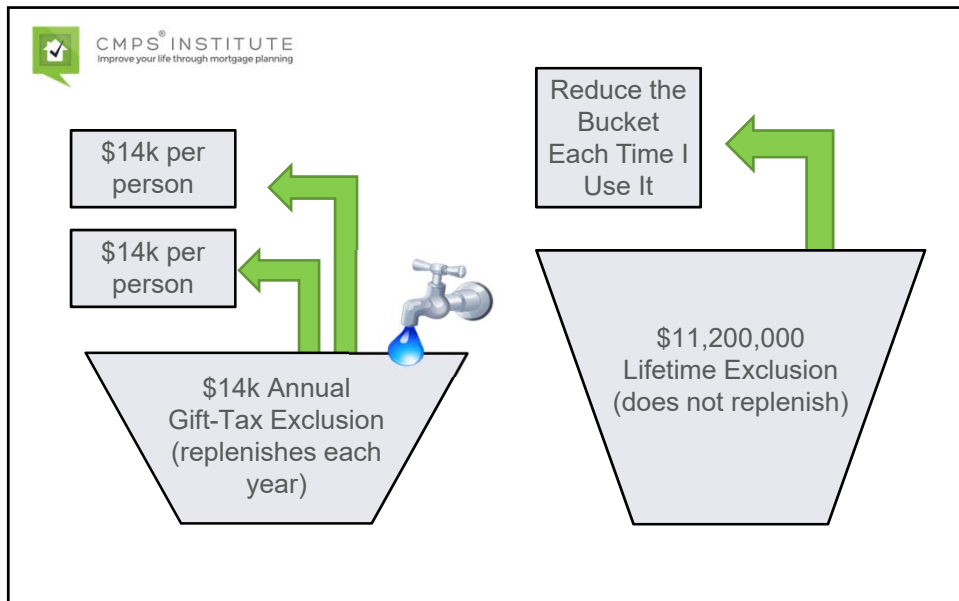
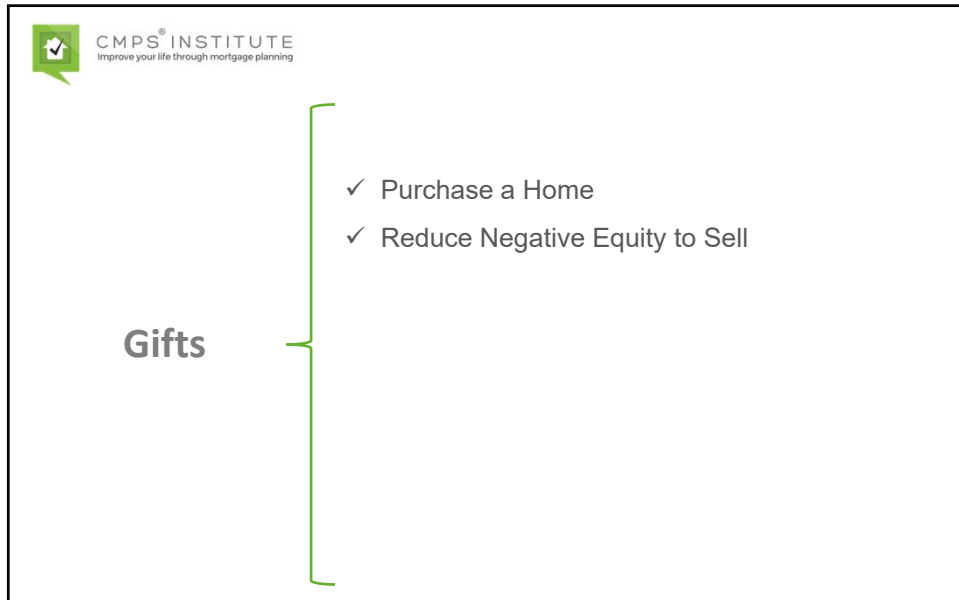
The Gift & Estate Tax




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Mortgage & Real Estate Taxation

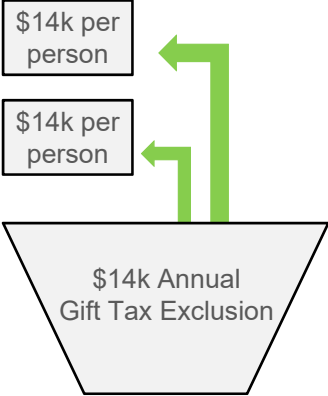


Mortgage & Real Estate Taxation

 **Gift Taxes Example 1:
Annual Exclusion**

\$56,000 = Funds Needed For Down Payment & Closing Costs


- ✓ \$14k From Mom to Daughter
- ✓ \$14k From Mom to Son-in-Law
- ✓ \$14k From Dad to Daughter
- ✓ \$14k From Dad to Son-in-Law



\$14k per person


\$14k per person

\$14k Annual Gift Tax Exclusion

 **Gift Taxes Example 2:
Lifetime Exclusion**

\$200,000 = Funds Needed For Down Payment & Closing Costs

- ✓ \$14k From Mom to Daughter
- ✓ \$14k From Mom to Son-in-Law
- ✓ \$14k From Dad to Daughter
- ✓ \$14k From Dad to Son-in-Law



\$200,000

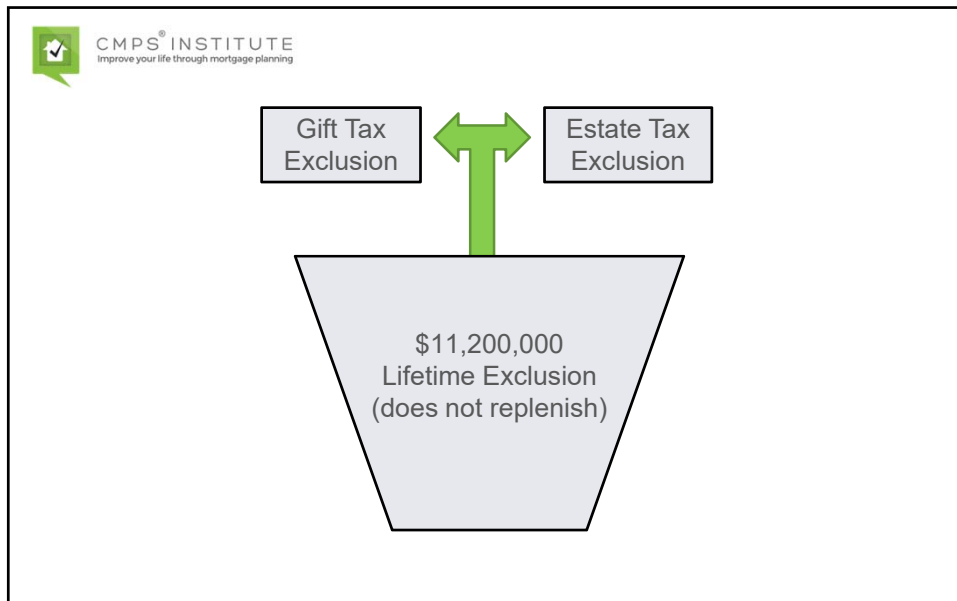
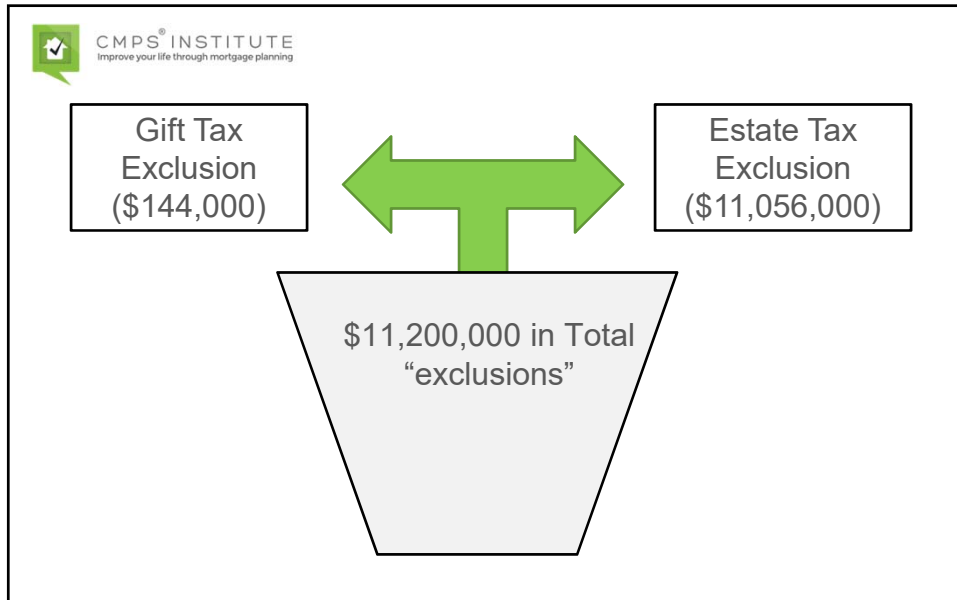
-

\$56,000


=

\$144,000

Mortgage & Real Estate Taxation




Mortgage & Real Estate Taxation




Federal Gift Tax

- ① Two Buckets of Exclusions
- ② No Tax to Gift Recipient
- ③ No Relationship Required

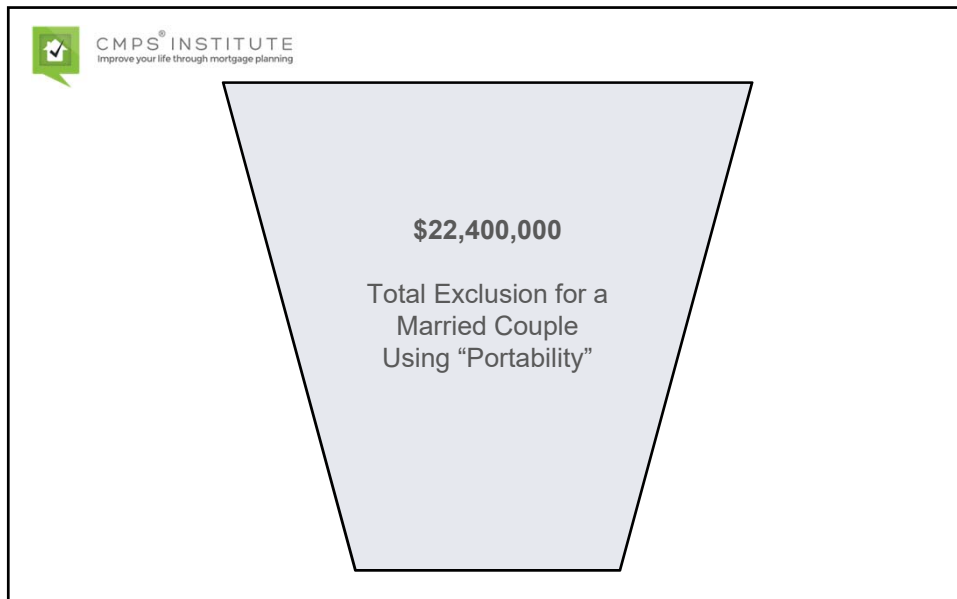
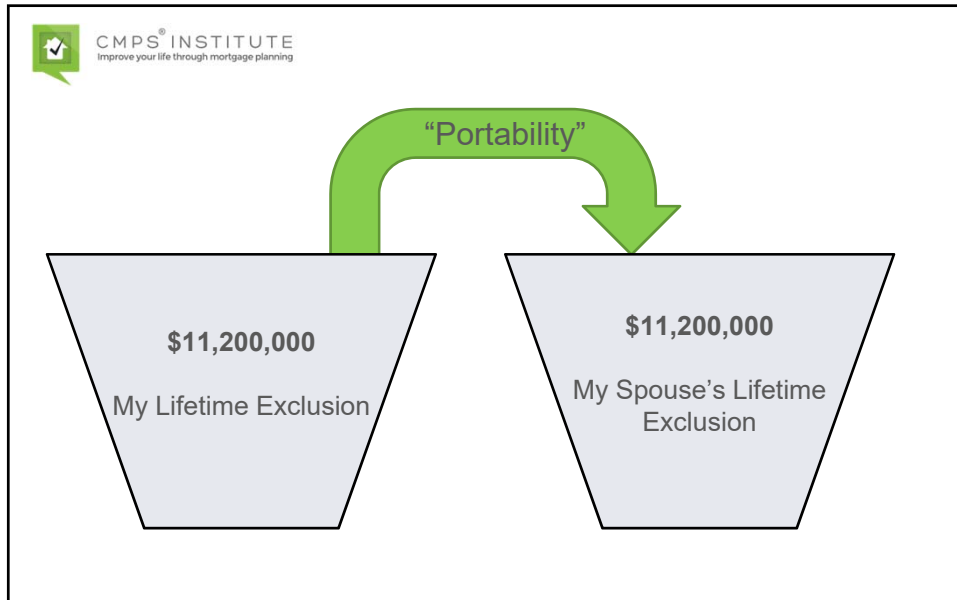


Federal Estate Tax


- ① Unlimited Marital Exclusion
- ② \$11,200,000 Exclusion (2018)
- ③ Many States Have Lower Limits
- ④ Portability



Mortgage & Real Estate Taxation




Mortgage & Real Estate Taxation



But it's Just a Loan...

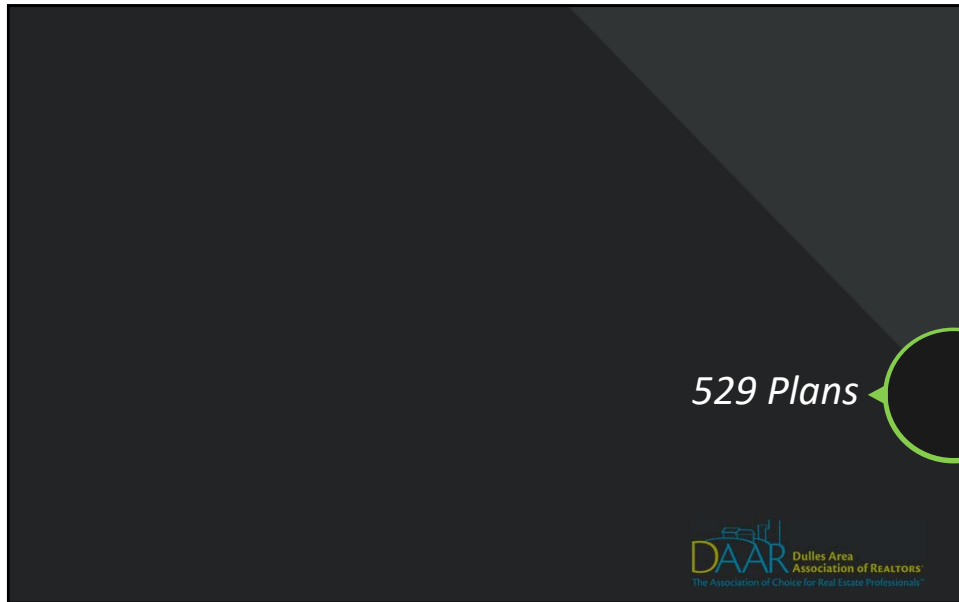
- ✓ **Underwriting Guidelines:**
 - ✓ List loan as a debt/liability on 1003
 - ✓ Include loan payment in DTI
- ✓ **IRS Guidelines:**
 - ✓ Borrower must pay interest on the loan



But it's Just a Loan...

- ✓ Is the recipient of the money paying the applicable [Federal Rate](#)?
 - ✓ Short = Less than 3 years
 - ✓ Mid = 3-9 years
 - ✓ Long = Greater than 9 years
- ✓ Are you paying taxes on the interest you receive?
- ✓ Is there a pre-arranged plan to forgive the loan?

Mortgage & Real Estate Taxation



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Improve your life through mortgage planning

529 Plans

Old	New	Impact
Funds can only be used for Qualified Higher Education	Up to \$10,000 per year per student can also be used for tuition at an elementary or secondary public, private, or religious school	Increases incentive to improve cash flow & use 529 plans! <ul style="list-style-type: none">✓ 30-yr vs 15-yr✓ ARM vs. Fixed✓ Reason to Refi

Mortgage & Real Estate Taxation



Two Things You Should Know About 529 College Savings Plans

Section 529 of the Internal Revenue Code created a type of college savings plan that known as a "529 Plan". The 529 plan allows families to:

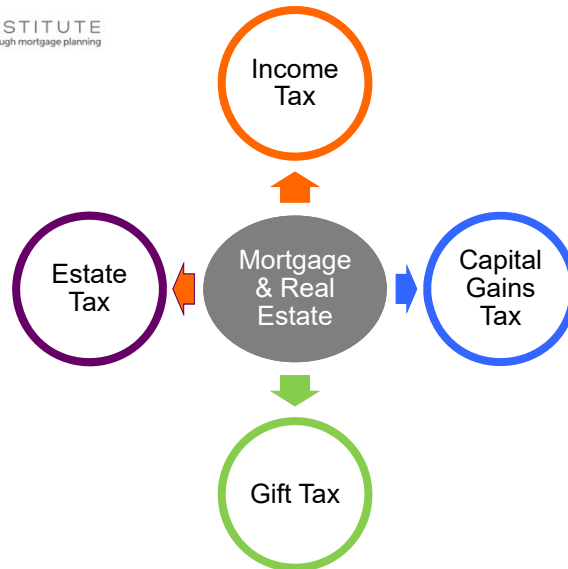
- Invest funds after you've paid taxes on them (similar to a Roth IRA)

- Grow the money tax-free over time (no taxes on dividends or asset appreciation)

- Withdraw the money tax-free to pay for qualified college expenses. Up to \$10,000 per year per student can also be used for tuition at an elementary or secondary public, private, or religious school.



#1 - Each State Sponsors its Own 529 Plan(s), But You Can



Mortgage & Real Estate Taxation

Conclusion

- ✓ Mortgage interest deduction
- ✓ How tax basis works and why it matters
- ✓ How to make better use of the primary residence exclusion to the capital gains tax
- ✓ How the 3.8% investment tax works
- ✓ How the capital gains tax works
- ✓ How rental income, depreciation, capital gains, and capital losses are taxed on investment properties
- ✓ How the gift tax works
- ✓ How to make better use of the annual and lifetime exclusions to the gift tax
- ✓ Private loans between family members

Questions?



Jennifer Du Plessis, CMPS, CDLP, CME
VP Regional Sales Director
T. 703.639.6803
C. 703.864.4597
NMLS ID #192843