Twitter poll: Real estate, taxes and Trump administration - by David Perlmutter

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QuantumListing.com conducted a one question Twitter poll, asking “Do you think real estate will benefit from tax changes under the Trump administration?” Possible responses were “In the short term, In the long term, Not at all, and Unsure.” Having asked the question without having done any research on the topic beforehand, my gut instinct would have been, “Of course, the guy has numerous investments (and licensing deals) in the commercial and residential real estate industry!” But one of the reasons why we ask these questions is to learn what the world at large is thinking.

We had 102 respondents, and only 35% thought that real estate would benefit in either the short term (13%) or the long term (22%). One third of the respondents (33%) don’t think Trump’s policies will have any impact at all on real estate, and 32% are unsure. The poll did not distinguish between residential and commercial real estate.

With all the tumult of the first weeks of the Trump administration (I’m really going to try to stay away from getting mired in political discourse, but in the interest of full disclosure, I am a dyed-in-the-wool Democrat), very little has been written about potential changes to the tax code and the impact on real estate.

The Republican led house of representatives published a blueprint for changes they would like to see in the tax code last June. There are two significant changes proposed that would likely have a significant impact on real estate. The first is an attempt by congress to eliminate itemized deductions and increase the standard deduction. Their plan does preserve the mortgage interest deduction. Trump proposed an even higher standard deduction. The upshot, many believe, is that fewer people would be incentivized to buy homes and take advantage of the mortgage interest deduction, possibly putting downward pressure on housing prices.

The house proposal eliminates the deduction that all businesses get on interest payments, possibly negating the benefits from borrowing to acquire commercial property. Furthermore, the house proposal would eliminate long term depreciation of commercial properties. This would be offset, however, by treating the acquisition of commercial property as an upfront expense, which could be used to reduce income, and carried forward as a net operating loss into future years if there was not enough income in the acquisition year.

Clearly, there are a lot of issues to be resolved if these proposals are enacted. What would happen to the depreciation schedule of properties that were recently acquired? What loopholes would remain or be created by such an enormous rethinking of the tax code? Does anyone remember the Tax Reform Act of 1986? Buckle up, we may be in for a bumpy ride!

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