

POST COVID VALUATION: Businesses & Real Estate

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Presented by:



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Planning for real estate and business owners during COVID-19 and post COVID-19

By Barry Sunshine, CPA

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Planning for real estate and business owners during COVID-19 and post COVID-19

1. Assessing how your business operated the last 7 months.
2. Take a realistic look at your business for short and long term goals.
3. Developing a long term wealth strategy for your business and you, the business owner.

Planning for real estate and business owners during COVID-19 and post COVID-19.

What should business and real estate owners be doing as we approach the winter months.

1. Businesses – developing or updating your cash flow models. Include in your modeling an ability to raise cash for your business. Review overhead expenses, payroll and payroll benefits.
2. Real estate owners – Commercial real estate owners – review your tenants and their industries that they operate in to evaluate their going concern.
3. For any customers that are “slow paying”, consider your options including obtaining additional collateral or extending leases.
4. PPP loans – many businesses are thinking that these PPP loans are automatically forgiven. Not true, your business must apply with the bank that extended the PPP loan for forgiveness.
5. State and Federal grants – review your business’ ability to qualify for grants.
6. Look at your year end tax planning possibilities.

Planning for real estate and business owners during COVID-19 and post COVID-19.

Year end tax planning:

CARES Act:

1. Net operating losses – ability to carryback 2018-2020 losses 5 years.
2. Suspension of limiting “Excess Business Losses” for 2018-2020.
3. Bonus depreciation at 100% and extends to “qualified improvement property”
4. Business interest expense limitations.
5. For those business that didn’t get a PPP loan – don’t forget the “Employer Retention Tax Credit”
6. States de-coupling from the CARES Act.

Planning for real estate and business owners during COVID-19 and post COVID-19.

- Year end tax planning beyond CARES Act.
- Typical year end strategies – defer income and accelerate deductions.
- 2020 is not a typical year. May want to accelerate income and defer tax deductions?
- There are 2 very different tax proposals, covering income tax & estate taxes.

Comparison of income tax proposals

Summary	Trump's proposals	Biden's proposals
<ul style="list-style-type: none">Income tax ratesCapital gains ratePayroll taxes on wagesMoving businesses overseasQualified business income deduction- 20%Like kind exchanges for real estate	<ul style="list-style-type: none">Considering a 10% middle class tax cutConsider reducing capital gains rate to 15%. Index for inflation.No changes plannedNo changes plannedNo planned changesNo planned changes	<ul style="list-style-type: none">Increase top rate to 39.6%, taxpayers over \$400k would see increasesTax capital gains at the ordinary income tax rates.FICA on wages over \$400k in addition to wages to \$142.8k10% penalty for companies moving jobs overseas.Remove the QBI deduction for taxpayers earning over \$400k.Possible repeal of like kind exchanges

Comparisons of estate tax proposals

Summary	Trump's proposal	Biden's proposal
<ul style="list-style-type: none">○ Estate & gift tax exemption ○ Step up income tax basis to avoid capital gains at death.	<ul style="list-style-type: none">○ Would extend the 2017 tax rules beyond 2025 ○ No changes	<ul style="list-style-type: none">○ Would reduce the estate tax exemption to \$3.5 million and gift tax exemption to \$1 million ○ Eliminate stepped-up basis rule that allows people to pass capital gains to heirs without tax after death.