

Real Estate Tax Guide

4th Edition

By Steven M. Bragg, CPA

Table of Contents

Real Estate Tax Guide	1
Learning Objectives	1
Introduction.....	1
Accounting Methods.....	1
Tax Impact of Real Estate Acquisitions.....	3
Acquisition Costs	3
Basis.....	3
Original Basis.....	3
Costs Relating to Constructed Assets.....	8
Forms of Ownership.....	9
Sole Proprietorship.....	9
Partnership.....	9
C Corporation.....	10
S Corporation.....	11
Limited Liability Company.....	11
Additional Ownership Issues	12
Real Estate Financing Issues	12
Mortgage Financing.....	12
At-Risk Rules	13
Interest Issues.....	14
Sale and Leaseback Transactions	15
Tax Impact of Rental and Leasing Arrangements	15
Landlord and Tenant Transactions	16
Lease Topics	17
Tax Impact of Operating Real Estate.....	18
Development Costs.....	18
Real Estate Deductions.....	19
Start-Up Expenses	19
Operating Expenses	19
Property Additions and Improvements.....	21
Depreciation.....	22
Depreciation Conventions.....	22
Section 179	24
Passive Activity Losses	25
Cap on Loss Deductions	27
Troubled Financing Situations	27
Debt Settled at a Discount.....	27
Foreclosures	28
Mortgage Conveyances.....	28
Adjustments to Basis.....	29
Tax Impact of Real Estate Disposition	29
Sale of Real Estate	29
Characterization of Gains and Losses	30
Depreciation Recapture.....	31

Table of Contents

Dealer Property	32
Property Exchanges	32
Installment Sales	34
Involuntary Property Dispositions	35
Abandonment of Property	37
Demolition of Property	38
Gifted Property	38
Tax Impact Related to a Personal Residence	38
Homeowner Deductions	38
Mixed-Use Deductions	39
Home Use for Business	39
Home Use for Rental	40
Home Converted to Investment Property	41
Sale of a Residence	41
Tax Management Strategies	42
Tax Deferral Strategy	42
Cash-Basis Tax Deferral Strategies	42
Accrual-Basis Tax Deferral Strategies	43
Tax Acceleration Strategy	43
Summary	43
Review Questions	44
Review Answers	46
Glossary	49
Index	51