














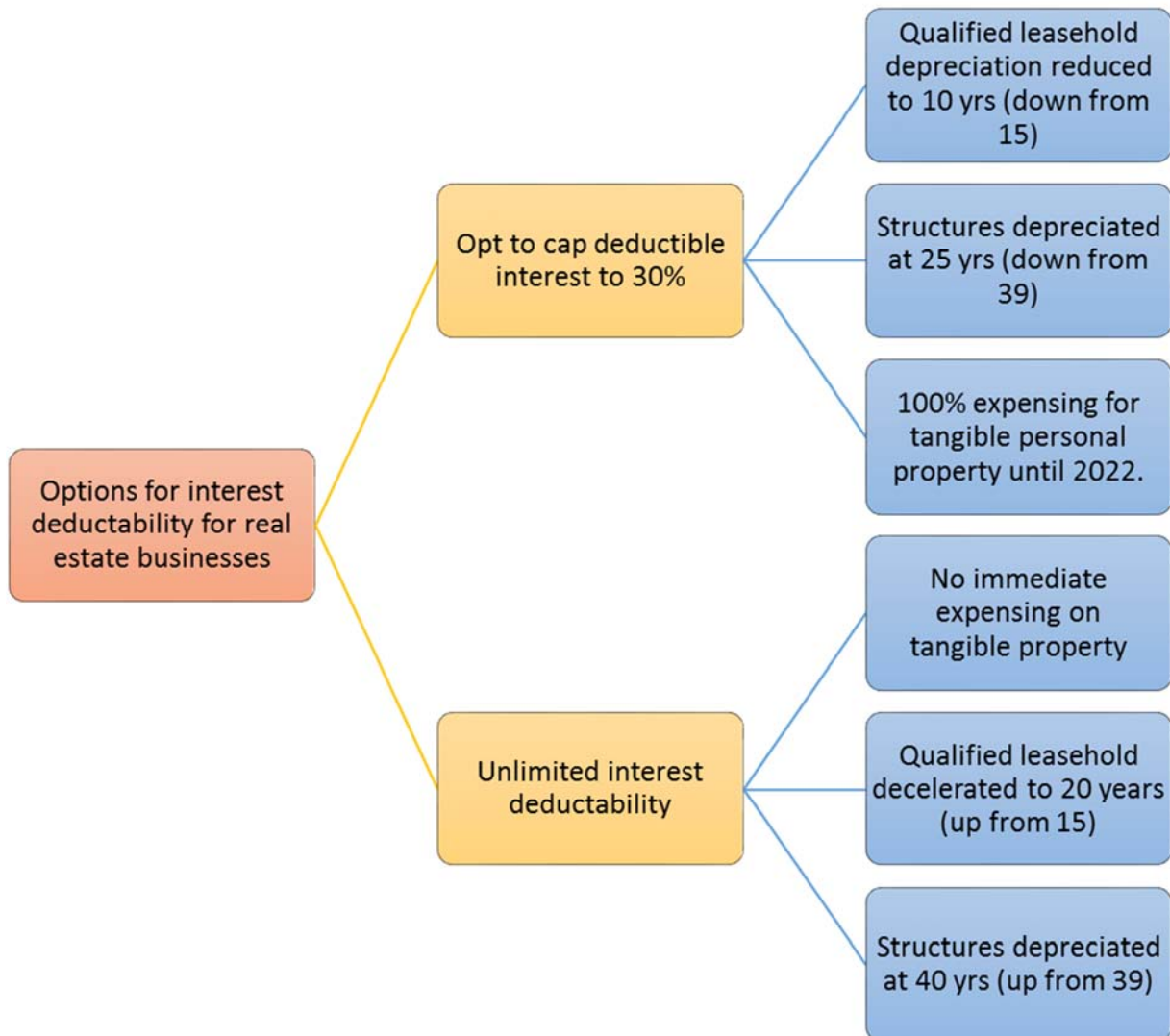
# Tax Reform Bill Scorecard

On December 19, the U.S. House of Representatives passed a comprehensive tax reform package, H.R. 1/S. 1, by a vote of 227-203. The bill was a compromise struck between the House and Senate’s previous tax bills. The Senate passed the compromise bill the next day, December 20. This bill was signed into law on December 22 by President Donald Trump. H.R. 1, the “Tax Cuts and Jobs Act,” is a sweeping tax rewrite that could create ripple effects throughout the U.S. economy for decades. Here is a breakdown of the provisions important to the commercial real estate industry.

Provision	Compromise Bill Passed by House & Senate
Corporate Rate	 WIN- Permanently reduces the rate to 21% starting in 2018.
Pass-Through Rate	 WIN- Pass-through entities can deduct 20% of qualifying income with the remainder taxed at the individual rate.
Interest Deductibility	 WIN- The bill creates an opt out for real estate businesses to exempt themselves from the cap on interest deductibility so long as they accept an alternative depreciation schedule.
15-year Leasehold Depreciation	 Toss Up- Depending on if you choose to opt out of the cap on interest deductibility, leasehold depreciation either goes up to 20 year or down to 10 years.
Full Expensing*	 Toss Up- If you choose to opt out of the cap on interest deductibility, there is 100% expensing allowed on land improvements and tangible personal property for five years.
1031 “like-Kind” Exchanges	 WIN- 1031’s have been preserved for real estate.
Carried Interest	 WIN- The reduced capital gains rate is preserved, but requires a 3-year holding period.
Historic Preservation Credit	 WIN- 20% credit has been maintained, but must be taken over 5 years.
New Market Tax Credit	 WIN- The tax credit is preserved through 2019.
179D Energy Efficient Deduction for Commercial Buildings	 Win- The provision was left out of tax reform and remained expired until February 9, 2018 where it was reinstated retroactive for 2017 through the Bipartisan Budget Act of 2018.
HVAC Depreciation	 WIN- HVAC is now included as Section 179 property. Commercial building owners can now expense the cost of upgraded HVAC systems up to \$1,000,000.
Fire Sprinkler Depreciation	 WIN- Fire alarm and sprinkler systems are now included as Section 179 property. Commercial building owners can now expense the cost of upgraded sprinkler systems up to \$1,000,000.
Roof Depreciation	 WIN- Roofs are now included as Section 179 property. Commercial building owners can now expense the cost of upgraded roofing up to \$1,000,000.

\* Temporary full expensing was a part of the compromise legislation however it was accidentally left out of the final bill passed into law and signed by the President. Legislative staff, the IRS, Treasury and industry are working hard to make the technical correction as soon as possible.

### Details of Interest Deductibility: A Closer Look At Your Options for Deducting Interest and the Alternative Depreciation Schedule



The outlook of this final bill is positive for our industry. Real estate will continue to be taxed on an economic basis. There are both wins and losses—and, depending on how your business is leveraged and structured, new options. Overall, we believe that these provisions will preserve the long-term health and strength of the commercial real estate industry.