



ROMER DEBBAS
LLP



LAYING DOWN THE TAX LAW



WHAT YOU NEED TO KNOW ABOUT THE
NEW TAX ACT & OTHER CHANGES
TO THE REAL ESTATE LANDSCAPE



ACCOUNTING CONSIDERATIONS

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TOPICS FOR DISCUSSION

- SALT Deductions & How the Overall Rates Changed
- Will You Pay Less Tax in 2018?
- Big News on the AMT
- Itemizing vs. the Standard Deduction
- Spending Power for Housing: Then, Now, & Tomorrow



SALT DEDUCTIONS & HOW THE OVERALL RATES CHANGED

SALT= State And Local Tax (also important to include RE taxes here)

	OLD TAX LAW	NEW TAX LAW
STANDARD DEDUCTION	\$6,350 Single \$12,700 Married	\$12,000 Single \$24,000 Married
SALT DEDUCTIONS	Deduct all taxes paid (cash basis) in calendar year. All SALT deductions are also subject to AMT	Capped at \$10,000 per tax return (single or married)
MORTGAGE INTEREST	Allows interest on \$1M of debt	Allows interest on \$750K of debt. Loans originated prior to 12/15/17 grandfathered in at \$1M level

It's important to note that these deductions and changes do not apply to rental property on Schedule E



2017 vs. 2018 FEDERAL INCOME TAX BRACKETS

SALT= State And Local Tax (also important to include RE taxes here)

2017 SINGLE TAX RATES	
10%	0 TO \$9,325
15%	\$9,325 TO \$37,950
25%	\$37,950 TO \$91,900
28%	\$91,900 TO \$191,650
33%	\$191,650 TO \$416,700
35%	\$416,700 TO \$418,400
39.6%	OVER \$418,400

2018 SINGLE TAX RATES	
10%	0 TO \$9,525
12%	\$9,525 TO \$38,700
22%	\$38,700 TO \$82,500
24%	\$82,500 TO \$157,500
32%	\$157,500 TO \$200,000
35%	\$200,000 TO \$500,000
37%	OVER \$500,000

2017 MARRIED TAX RATES	
10%	0 TO \$18,650
15%	\$18,650 TO \$75,900
25%	\$75,900 TO \$153,100
28%	\$153,100 TO \$233,350
33%	\$233,350 TO \$416,700
35%	\$416,700 TO \$470,700
39.6%	OVER \$470,700

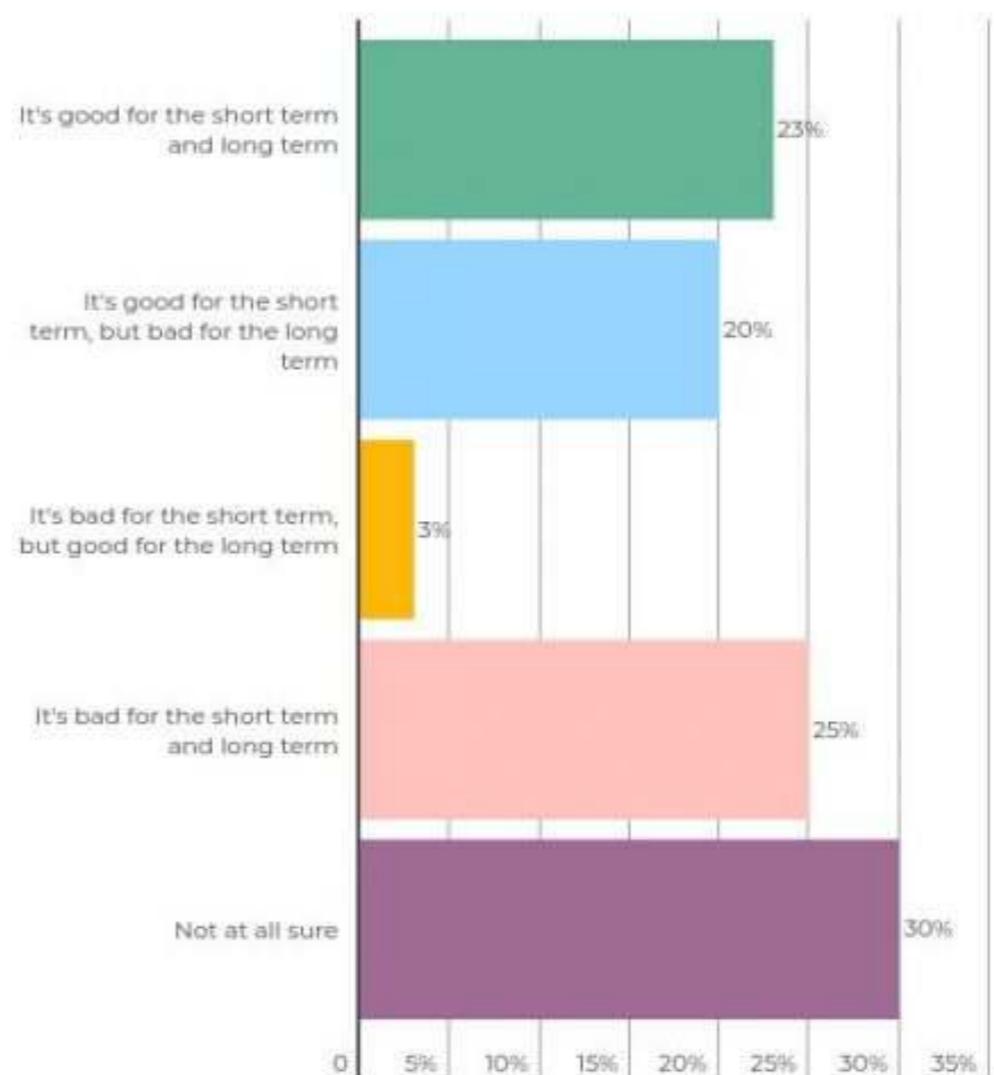
2018 MARRIED TAX RATES	
10%	0 TO \$19,050
12%	\$19,050 TO \$77,400
22%	\$77,400 TO \$165,000
24%	\$165,000 TO \$315,000
32%	\$315,000 TO \$400,000
35%	\$400,000 TO \$600,000
37%	OVER \$600,000



WILL YOU PAY LESS TAX?

- A tax reform bill was signed into law in 2017, but more than a quarter of Americans (26%) don't know that
- While most Americans know something is changing under the new tax law (74%), not everyone knows exactly what that something is
- Where to turn to find answers?

How Americans think the new tax law will impact the U.S. economy



Source: NerdWallet tax reform survey, conducted online by Harris Poll, January 2018

Base: All respondents (n=2,086)



ALTERNATE MINIMUM TAX (AMT)

AMT is a supplemental income tax imposed by the United States federal government required in addition to baseline income tax for certain individuals that have exemptions or deductions allowing for lower payments of standard income tax



WHAT CHANGED?

- 2017 & prior income phaseout was \$160,900 for married taxpayers
- 2018 exemption phaseout is \$1,000,000 for married taxpayers, and many triggers of AMT have been eliminated (SALT, misc business deductions, etc.)

WHAT IT MEANS:

- Under the new federal tax law, the number of tax filers hit by the Alternative Minimum Tax will drop by 96%



ITEMIZING vs. THE STANDARD DEDUCTION

- Under the old law, you simply added up your SALT, Mortgage and Charity and if above the threshold, itemizing was better
- Under the new law, with only \$10,000 as a SALT limit, far less people will itemize
- If single, less of an issue, since it only takes \$2,000 of charity and mortgage interest to cross the itemization threshold
- If married, need more than \$14,000 worth of mortgage interest and charity before there's value in itemizing
 - (500,000 mortgage at 5% interest is approximately \$24,000 of interest in first 12 months)
 - This means that only \$10,000 of interest is providing new tax benefit





SPENDING POWER: THEN, NOW, & TOMORROW

- **OLD METHOD**

\$3,500 monthly rent implies you could afford \$4,700 in mortgage and real estate taxes due to tax benefits

- **NEW METHOD**

\$3,500 monthly rent implies you could afford \$3,800

- Assumes real estate taxes are not deductible (pays at least \$10,000 in SALT already), and mortgage interest is only about 65% beneficial due to the high standard deduction amounts
- Changes the economic decision process from short-term benefits vs long-term appreciation



A professional headshot of a man with short brown hair, wearing a dark suit jacket, a light-colored dress shirt, and a patterned tie. He is looking directly at the camera with a neutral expression.

LEGAL CONSIDERATIONS

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TOPICS FOR DISCUSSION

- It's a Buyer's Market - **EVERYTHING** is Negotiable
- Investor's Paradise
- The World of 1031 in 2018



IT'S A BUYER'S MARKET

Typical Closing Costs Associated with a Purchase from a Sponsor:

- **Investor's New York State and New York City Real Property Transfer Taxes**
 - NYS and NYC Transfer taxes are imposed by law upon the Seller
 - New York City Real Property Transfer Tax
 - 1% if \$500,000 or less
 - 1.425% if greater than \$500,000
 - New York State Transfer Fee - 0.4% of sales price
- **When the Purchaser pays transfer taxes, they are calculated based upon a "Bulked-up price"**
- **Commercial Transfer Tax Rate applies to the simultaneous purchase of two or more non-combined units**
 - 1.425% if \$500,000 or less
 - 2.625% if greater than \$500,000
- **Mansion Tax - 1% if sales price is \$1,000,000 or more**
 - Mansion Tax may be triggered based upon the "Bulked-up price" (\$982,000)





IT'S A BUYER'S MARKET

Now on the Table for Negotiation:

- Sponsor's Legal Fee
- Pre-Paid Common Charges/Taxes
- Resident Managers Unit Contribution
- Working Capital Fund Contribution
- Inclusion of Parking/Storage Space
- Payment of Mortgage Recording tax
- Alterations/Upgrades to Unit
- Concessions / Closing Cost Credits
- Reduction of Deposit Amount / Waiver of 2nd Deposit





INVESTOR'S PARADISE

- Buyer's Market = Investment Opportunities
- New Construction = more desirable for investment/rental property
- Location, Location, Location
- SALT limitations do not apply





THE WORLD OF 1031 IN 2018



ROMER DEBBAS
LLP

A professional headshot of a man with short, light-colored hair, smiling. He is wearing a light-colored suit jacket, a white collared shirt, and a dark patterned tie. A small, gold-colored puzzle piece pin is visible on his left lapel.

TRANSACTIONAL CONSIDERATIONS

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NextHome ®
RESIDENTIAL



TOPICS FOR DISCUSSION

- Agency in 2018 & The Confusion Delusion: Who Did I Just Contact?
- The Second Buyer: Appraisers
- No, You're Not Tech Startup: Brokerage Trends
- Rent vs. Buy Decision Making



AGENCY

- **Definition**
- **Disclosure**
- **First Substantive Contact**
- **Online Considerations**
- **Open Houses**
- **Avoiding Dual Agency**



**Division of
Licensing Services**

NextHome RESIDENTIAL

New York State
Department of State
Division of Licensing Services
P.O. Box 22001
Albany, NY 12201-2001
Customer Service: (518) 474-4429
www.dos.ny.gov

New York State Disclosure Form for Buyer and Seller

THIS IS NOT A CONTRACT

New York State law requires real estate licensees who are acting as agents of buyers or sellers of property to advise the potential buyers or sellers with whom they work of the nature of their agency relationship and the rights and obligations it creates. This disclosure will help you to make informed choices about your relationship with the real estate broker and its sales agents.

Throughout the transaction you may receive more than one disclosure form. The law may require each agent assisting in the transaction to present you with this disclosure form. A real estate agent is a person who advises about real estate.

If you need legal, tax or other advice, professional in that field.

Disclosure Regarding Real Estate Agency Relationships

Seller's Agent
A seller's agent is an agent who is engaged to represent the seller's interests. The seller's agent secures a buyer for the seller's home at terms acceptable to the seller. A seller's agent, without limitation, the following fiduciary duties: reasonable care, undivided loyalty, confidentiality, full disclosure, obedience and duty to account. A seller's agent does not represent the interests of the buyer. The obligations of a seller's agent are also subject to any specific provisions set forth in an agreement between the agent and the seller. In dealings with the buyer, a seller's agent should exercise reasonable skill and care in performing the agent's duties; (b) deal honestly, fairly and in good faith; and (c) disclose all facts known to the agent material to the value or desirability of property, except as provided by law.

Buyer's Agent
A buyer's agent is an agent who is engaged to represent the buyer's interest. The buyer's agent secures a seller for the buyer at terms acceptable to the buyer. A buyer's agent, without limitation, the following fiduciary duties: reasonable care, undivided loyalty, confidentiality, full disclosure, obedience and duty to account. A buyer's agent does not represent the interests of the seller. The obligations of a buyer's agent are also subject to any specific provisions set forth in an agreement between the agent and the buyer. In dealing with the seller, a buyer's agent should (a) exercise reasonable skill and care in performance of the agent's duties; (b) deal honestly, fairly and in good faith; and (c) disclose all facts known to the agent material to the value or desirability of property, except as provided by law.

DOS-1736-f (Rev. 11/15)

agent's duties; (b) deal honestly, fairly and in good faith; and (c) disclose all facts known to the agent materially affecting the buyer's ability and/or willingness to perform a contract to acquire seller's property that are not consistent with the agent's fiduciary duties to the buyer.

Broker's Agents
A broker's agent is an agent that cooperates or is engaged by a listing agent or a buyer's agent (but does not work for the same firm as the listing agent or buyer's agent) to assist the listing agent or buyer's agent in locating a property to sell.

function as the seller's agent representing the interests of and advocating on behalf of the seller in the negotiations between the buyer and seller. A designated sales agent cannot provide the full range of fiduciary duties to the landlord or tenant. A designated sales agent cannot provide full range of fiduciary duties to the buyer or seller. The designated sales agent must explain that like the dual agent under whose supervision they function, they cannot provide undivided loyalty. A buyer or seller should carefully consider the possible consequences of a dual agency relationship with designated sales agents before agreeing to such representation. A seller or buyer provide advance informed consent to dual agency with designated sales agents by indicating the same on this form.

This form was provided to me by of
(Print Name of Licensee) (Print Name of Company, Firm or Brokerage)

licensed real estate broker acting in the interest of the:

Seller as a (check relationship below)
 Seller's Agent
 Broker's Agent

Buyer as a (check relationship below)
 Buyer's Agent
 Broker's Agent

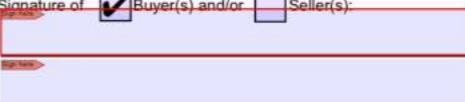
Dual Agent
 Dual Agent with Designated Sales Agent

For advance informed consent to either dual agency or dual agency with designated sales agents complete section below:

Advance Informed Consent Dual Agency
 Advance Informed Consent to Dual Agency with Designated Sales Agents

If dual agent with designated sales agents is indicated above: _____ is appointed to represent the buyer; and _____ is appointed to represent the seller in this transaction.

(I) (We) acknowledge receipt of a copy of this disclosure form:

Signature of Buyer(s) and/or Seller(s):


Date:



Date:

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APPRAISALS

- Definition
- Relationship to Bank
- Tend to Look Backward
- In and Out
- Redos Almost Impossible



Individual Cooperative Interest Appraisal Report

The purpose of this summary appraisal report is to provide the lender/client with an accurate, and adequately supported, opinion of the market value of the subject property.

Property Address: 345 East 93 Street	Unit # 13 EF	City New York	State NY	Zip Code 10128
Borrower N/A	Current Owner: Eli & Marisa Kulp			
Legal Description: Block: 1556 Lot: 0023	Map Reference: 35614 Census Tract: 154			
Project Name: Mill Rock Owners Corp.	Phase # 1			
Occupant: <input checked="" type="checkbox"/> Owner <input type="checkbox"/> Tenant (Market Rent) <input type="checkbox"/> Tenant (Regulated Rent) <input type="checkbox"/> Vacant	Monthly Maintenance Fee \$ 2,438.58	<input type="checkbox"/> per year <input checked="" type="checkbox"/> per month		
Property Rights Appraiser: <input checked="" type="checkbox"/> Cooperative <input type="checkbox"/> Other	Expiration Date of Proprietary Lease: 12/31/2093	Special Assessments \$ 0		
Assignment Type: <input type="checkbox"/> Purchase Transaction <input type="checkbox"/> Refinance Transaction <input checked="" type="checkbox"/> Other (describe) Estimate Market Value for a possible transaction.				
Lender/Client: Mrs. Marisa Kulp	Address: 345 East 93 Street #13EF			
Is the subject property currently offered for sale or has it been offered for sale in the twelve months prior to the effective date of this appraisal? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
Report data source(s) used, offering price(s), and date(s). Per Streeteasy.com the subject was placed on the market for sale on 07/20/2017 for \$1,595,000.				
I <input type="checkbox"/> did <input type="checkbox"/> not analyze the contract for sale for the subject purchase transaction. Explain the results of the analysis of the contract for sale or why the analysis was not performed.				
Contract Price \$ Date of Contract Is the property seller the current owner? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No Data Source(s)				
Is there any financial assistance (loan charges, sale concessions, gift or downpayment assistance, etc.) to be paid by any party on behalf of the borrower? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
If Yes, report the total dollar amount and describe the items to be paid.				
Note: Race and the racial composition of the neighborhood are not appraisal factors.				
Neighborhood Characteristics		Cooperative Housing Trends	Cooperative Housing	Present Land Use %
Location: <input checked="" type="checkbox"/> Urban <input type="checkbox"/> Suburban <input type="checkbox"/> Rural	Property Values: <input type="checkbox"/> Increasing <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Declining	PRICE: \$	AGE: One-Unit	2 %
Built-Up: <input checked="" type="checkbox"/> Over 75% <input type="checkbox"/> 25-75% <input type="checkbox"/> Under 25%	Demand/Supply: <input type="checkbox"/> Shortage <input checked="" type="checkbox"/> In Balance <input type="checkbox"/> Over Supply	(\$1000) (yrs)	2-4 Unit	3 %
Growth: <input type="checkbox"/> Rapid <input checked="" type="checkbox"/> Stable <input type="checkbox"/> Slow Marketing Time: <input type="checkbox"/>				
Neighborhood Boundaries: Upper East Side is bounded by 96th Street to 5th Avenue to the East, and the East River to the West.				
Neighborhood Description: Upper East Side is well served by public transportation, supporting residential living are adequate, and include: recreational & educational facilities. Properties are generally well maintained and are in good condition.				
Market Conditions (including support for the above conclusions) See attachment				
Is there a demonstrated market acceptance of the cooperative form of ownership in the area?				
Topography: Level on Grade Size: 0.58 acres				
Specific Zoning Classification: C2-8/C8-4 Zoning Description: Legal				
Zoning Compliance: <input checked="" type="checkbox"/> Legal <input type="checkbox"/> Legal Nonconforming - Do the zoning regulations allow the use of the property? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No (describe)				
Is the highest and best use of subject property as improved (or as proposed for plans and/or zoning) legally permissible, physically possible, financially feasible and maximum?				
Utilities: Public Other (describe): Public				
Electricity: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Water: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
Gas: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No Sanitary Sewer: <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
FEMA Special Flood Hazard Area: <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No FEMA Flood Zone: <input checked="" type="checkbox"/> X Yes				
Are the utilities and off-site improvements typical for the market area? <input checked="" type="checkbox"/> Yes <input type="checkbox"/> No				
Are there any adverse site conditions or external factors (easements, encroachments, etc.) that affect the property? <input type="checkbox"/> Yes <input checked="" type="checkbox"/> No				
No adverse easements, encroachments, or conditions observed. Typical.				
General Description		General Description		
# of Units: 310	<input checked="" type="checkbox"/> Existing			
# of Buildings: 1	<input type="checkbox"/> Proposed			
# of Stories: 32	<input type="checkbox"/> Under Construction			
# of Elevators: 4	Year Built: 1975			
Project Description: <input type="checkbox"/> Detached <input type="checkbox"/> Row or Townhouse <input type="checkbox"/> Garden				
Project Primary Occupancy: <input checked="" type="checkbox"/> Principle Residence <input type="checkbox"/> Second Home or R				
PROJECT SITE				
General Description				
# of Units: 310	<input checked="" type="checkbox"/> Existing			
# of Buildings: 1	<input type="checkbox"/> Proposed			
# of Stories: 32	<input type="checkbox"/> Under Construction			
# of Elevators: 4	Year Built: 1975			
Project Description: <input type="checkbox"/> Detached <input type="checkbox"/> Row or Townhouse <input type="checkbox"/> Garden				
Project Primary Occupancy: <input checked="" type="checkbox"/> Principle Residence <input type="checkbox"/> Second Home or R				
SOLD INFORMATION				
There are 8 comparable properties currently offered for sale in the subject neighborhood ranging in price from \$1,500,000 to \$1,750,000.				
There are 15 comparable sales in the subject neighborhood within the past twelve months ranging in sale price from \$1,500,000 to \$1,750,000.				
The comparable sales in the sales comparison grid below do not include the pro-rata share of the blanket mortgage(s) on the real estate.				
FEATURE SUBJECT COMPARABLE SALE #1 COMPARABLE SALE #2 COMPARABLE SALE #3				
Address and Unit #	444 E 86th St #13 EF	200 E 84th St	50 East 89th St	
Project Name	Mill Rock Owners Corp.	18G, New York, NY 10028	17C, New York, NY 10028	
Proximity to Subject	0.41 miles S	0.55 miles SW	0.56 miles W	
Sale Price	\$ 1,520,000	\$ 1,650,000	\$ 1,650,000	
Sale Price/Gross Liv. Area	\$ 1321.74 sq ft	\$ 1404.26 sq ft	\$ 1320.00 sq ft	
Price per Share	\$ Unknown	\$ Unknown	\$ N/A	
Data Source(s)	StreetEasy #1223242/DOM:186	StreetEasy #1230257/DOM: 14	StreetEasy #1256215/DOM: 30	
Verification Source(s)	GeoData/ACRIS/PropertyShark	GeoData/ACRIS/PropertyShark	GeoData/ACRIS/PropertyShark	
DESCRIPTION DESCRIPTION +(-) \$ Adjustment DESCRIPTION DESCRIPTION +(-) \$ Adjustment DESCRIPTION DESCRIPTION +(-) \$ Adjustment				
Sales or Financing Concessions	Conventional	Conventional	Conventional	
Date of Sale/Time	01/31/2017	06/29/2017	06/21/2017	
Location Good	Good	Good	Good	
Project Size/# of Units 310	315	310	210	
View Good	Good	Good	Good	
Floor Location 13th Fl	18th Fl	-12,500 10th Fl	+7,500 17th Fl	
Monthly Maintenance Fee \$ 2,438.58	\$ 3250	\$ 3043	\$ 2627	
Project Amenities F/T Doorman	Elevator	F/T Doorman	Elevator	
Project Security Typical	Typical	Typical	Typical	
Features Amenities	Amenities	Amenities	Amenities	
Design (Style) Highrise	Highrise	Highrise	Highrise	
PostWar/Good	PostWar/Good	PostWar/Good	PostWar/Good	
45	44	56	44	
Good	Good	Good	Good	
S-Mod Kitchen S-Mod Kitchen	Modern Kitchen	-75,000 Modern Kitchen	-75,000	
S-Mod Baths S-Mod Baths	Modern Baths	-50,000 Modern Baths	-50,000	
Total Bdrms, Baths Total Bdrms, Baths Total Bdrms, Baths Total Bdrms, Baths				
5 2 2 5 2 2.0	0 5 2 2.0	4 2 2.0	0	
1,276 sq ft, 1,150 sq ft	+75,600 1,175 sq ft	+60,600 1,250 sq ft	+15,600	
<input checked="" type="checkbox"/> + <input type="checkbox"/> - \$ 38,100 <input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ -56,900 <input type="checkbox"/> + <input checked="" type="checkbox"/> - \$ -119,400				
Net Adj: 2.5 %	Net Adj: 3.4 %	Net Adj: 7.2 %		
Gross Adj: 7.4 %	Gross Adj: 11.7 %	Gross Adj: 9.1 %		
The sale or transfer history of the subject property and comparable sales. If not, explain.				
Do not reveal any prior sales or transfers of the subject property for the three years prior to the effective date of this appraisal.				
Do not reveal any prior sales or transfers of the comparable sales for the year prior to the date of sale of the comparable sale.				
Do not reveal any prior sales or transfers of the subject property and comparable sales (report additional prior sales on addendum).				
SUBJECT COMPARABLE SALE #1 COMPARABLE SALE #2 COMPARABLE SALE #3				
Geodata/Acris 07/17/2017	Geodata/Acris 07/17/2017	Geodata/Acris 07/17/2017	Geodata/Acris 07/17/2017	
History of the subject property and comparable sales				
Approach (and reconciliation if other approaches are developed)				
<p>This appraisal is made <input checked="" type="checkbox"/> "as is," <input type="checkbox"/> subject to completion per plans and specifications on the basis of a hypothetical condition that the improvements have been completed. <input type="checkbox"/> subject to the following repairs or alterations on the basis of a hypothetical condition that the repairs or alterations have been completed, or <input type="checkbox"/> subject to the following required inspections based on the extraordinary assumption that the condition or deficiency does not require immediate alteration or repair. <input checked="" type="checkbox"/> This appraisal is made 'as is' and is intended for estimate market value for a possible transaction.</p> <p>Based on a complete visual inspection of the interior and exterior areas of the subject property, defined scope of work, statement of assumptions and limiting conditions, and appraiser's certification, my (our) opinion of the market value, as defined, of the cooperative interest (the cooperative shares or other evidence of an ownership interest in the cooperative corporation and the accompanying occupancy rights) that is the subject of this report is \$ 1,560,000, as of 07/17/2017, which is the date of inspection and the effective date of this appraisal.</p>				
Page 3 of 6				
Fannie Mae Form 2090 March 2005				



BROKERAGES

- How a Brokerage Operates
- Role in Today's World
- Use of Technology
- Peril of Teams
- Agents are Cheap
- Three Speedbumps



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While many listings at 1235 Park Avenue dropped in price, our listing not only held its ground, but sold for a significant premium over asking price in a competitive pursuit by multiple buyers. Why? We have an honest dialog about market strategy and invest in the latest technology like 3D Walkthrough while others avoid these more expensive options.

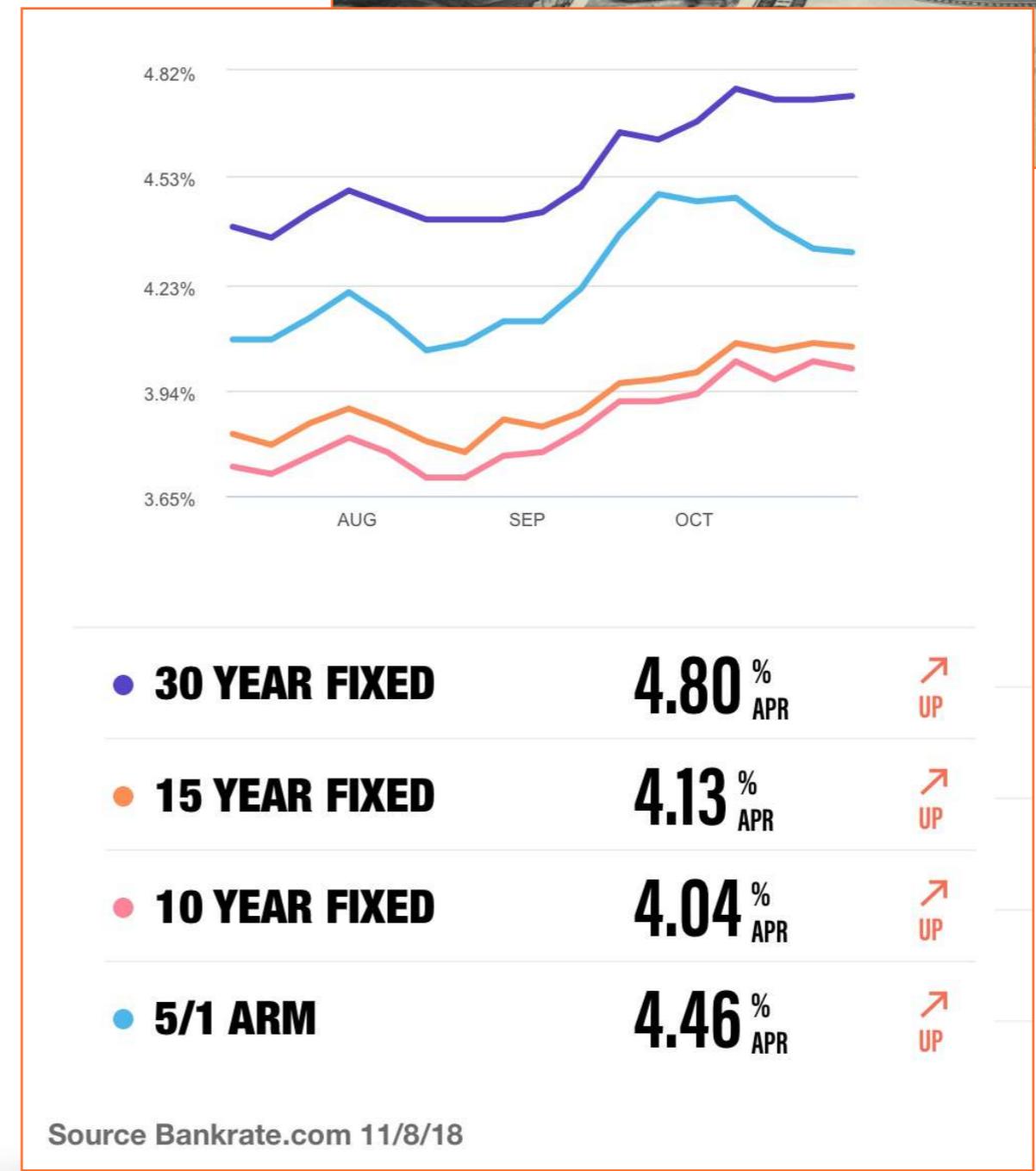
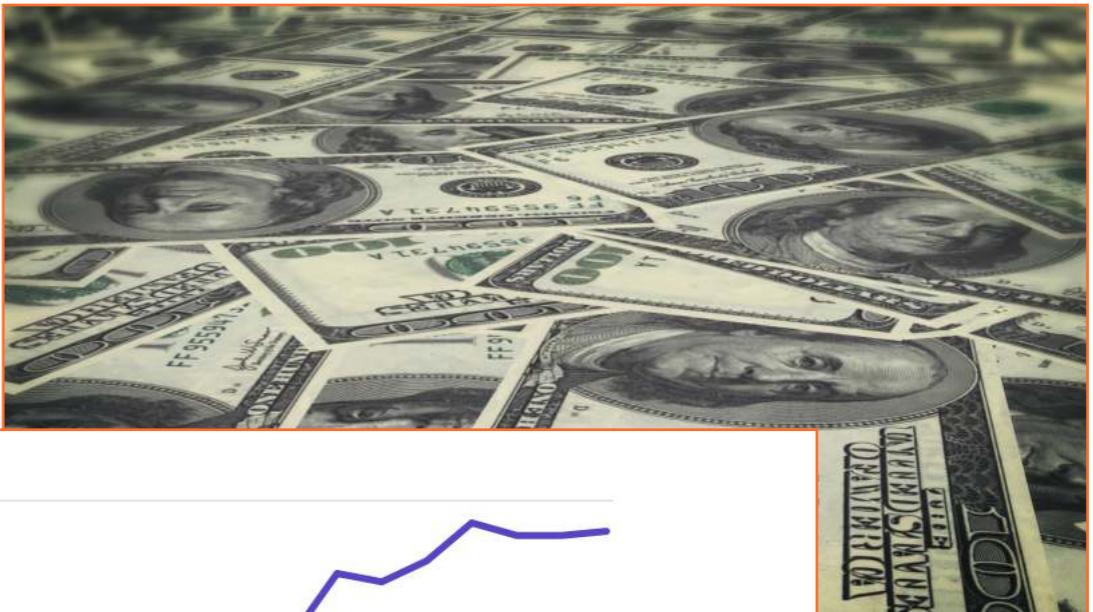
Visit <http://nhr.re/1235> at and view that listing to experience our 3D technology, professional marketing content, and high resolution photography for yourself.

Ready to discuss a Purchase, Sale, or Sublet? Contact me today.
Edward S. Hasicka
Licensed Real Estate Broker
eddie@nhr.re | 212.300.6140



RENT vs. BUY

- Pendulum in Manhattan
- Interest Rates
- "True Rent"
- All about NO FEE
- NOI for Investors
- Use of Capital
- Coops vs. Condos



Q&A



MINGLE!

