The 2020 checklist

10 smart moves for real estate investors at year's end

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For the past decade, growth in commercial real estate has been on a steady run, bolstered by low interest rates and an abundance of dry powder. As the end of the current business cycle approaches, however, real estate owners and investors face increasing risks. As we close the book on 2020, here are 10 important year-end resolutions.

1. Right those REITS

Review distributions from your real estate investment trust. Have you met the dispersal requirements for 2020? Here are some suggestions if your REIT hasn't yet hit the distribution mark

2. Do some analysis that's not too taxing

Do some analysis that's not too taxing. The IRS issued draft instructions for 2020 Schedule K-1s on Oct. 22, 2020, with some welcome relief that simplifies the tax capital reporting rules. Review your tax records to make sure that you have all information necessary to disclose the data for your 2020 K-1s.

3. Don't be afraid of phantom income

Don't be afraid of phantom income. Debt forgiveness is still taxable income even if no cash has been received. Be prepared to potentially pay taxes on a loan workout.

4. Make cash king

2020 has been rough on many middle market businesses. Are you doing everything you can to minimize your operating costs? Here are some ideas to generate cash for private equity firms.

5. Play it forward

Play it forward. Given the results of our presidential election, tax rates are likely not going to be lower in the near future than they are in 2020. Instead of following the typically sage advice to “accelerate expenses and defer income,” do the opposite—accelerate your income into 2020 and save a few percentage points of tax.

6. Don’t give away the store on rents

Lease concession accounting may affect financial statements and rent forbearance may have its own implications for tax purposes too.

7. No pain, no gain

The new Biden administration may look to eliminate 1031 exchanges in order to fund other programs. If it is part of your disposition strategy, plan accordingly.

8. Consider converting

You’ll take a short-term tax hit, but converting a traditional IRA into a Roth may be worthwhile for the long haul. Tax-free distributions could pay off down the road, particularly if we expect higher tax rates in the coming years.

9. Plan ahead

The current estate tax exemption is $11.58 million, meaning that your estate is tax-free up to that amount. You can use some of that exemption now by doing some creative planning. Under Biden’s tax plan, this exclusion is expected to come down significantly. Click here for more.

10. Close the GAAP

Understand how the new FASB standard for leases (ASC 842) applies to your business. While it is not effective until Jan. 1, 2022, for private companies, adoption may be a heavy lift and require implementation of new software

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