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**Advocacy efforts of REALTORS® bring big win for real estate professionals**

Treasury and IRS Release Final Rules for New 20% Deduction of Qualified Business Income

Richmond, Va. (February 1, 2019) – After a year of intense advocacy efforts, REALTORS® are celebrating a major win for all real estate professionals.

On Friday, January 18, the Treasury Department and Internal Revenue Service issued long-awaited final regulations governing the details of the new 20% deduction on qualified business income. The deduction is a key part of the tax reform act that was enacted into law in December 2017 and took effect on January 1, 2018. The guidance arrives just as real estate professionals are gearing up for the first tax filing season affected by the new law.

There are three major and very positive takeaways for real estate professionals.

The first and biggest victory in the regulations clarifies that all real estate agents and brokers who are not employees but operate as sole proprietors or owners of partnerships, S corporations, or limited liability companies are eligible for the new deduction, which can be as high as 20 percent.

The initial legislation cast some doubt on the applicability of the deduction to those who engage in “brokerage services.” However, the National Association of REALTORS® (NAR) made a strong case to Treasury and the IRS that real estate agents and brokers should be fully eligible for the deduction. The final regulations confirm this.

Virginia REALTORS® Past President and current President of the Roanoke Valley Association of REALTORS® Dennis Cronk says, “The recent decision by the Treasury Department would not have been possible had it not been for NAR leadership, professional staff and individual REALTOR® volunteers. Many said it was a very steep hill to climb, if not impossible. Throughout 2018, NAR worked tirelessly to convince the Treasury and IRS that the initial interpretation of legislation was incorrect.”

The second big win for real estate clarifies and simplifies the process for owners of rental real estate to claim the new deduction. Only income that is from a “trade or business” qualifies for the 20% write-off, and the problem was that the tax code does not define exactly what this means. Past guidance from the IRS and court cases have led tax professionals to conflicting and confusing conclusions as to where the line is between rental properties that are merely investments and those that truly can be considered a business enterprise.

NAR strongly urged the Treasury and IRS through letters and meetings to simplify the rules so that the millions of owners of rental real estate would have more certainty on whether they can qualify for the new deduction. Guidance issued along with the final regulations includes a bright-line safe harbor test of at least 250 hours per year spent on maintaining and repairing the property, collecting rent, paying expenses, and other typical landlord activities. This time can be spread over multiple rental properties and the efforts of employees and of independent contractors, not just the owner, counts.

The third victory for real estate in these final regulations is in connection with 1031 like-kind exchanges and the way they overlap with the new 20% deduction. The proposed regulations, released last August, unfairly treated those who have exchanged one parcel of real property under Section 1031 for another parcel. Those proposed rules provided that many who had made such an exchange would receive a smaller deduction for their qualified business income. NAR, along with other trade groups concerned with commercial real estate, weighed in on the unfairness of this result, and the Treasury and IRS agreed that the result was unfair, and corrected this outcome in the final rules.

“These final regulations represent a huge win for all real estate professionals,” says Virginia REALTORS® CEO Terrie Suit. “REALTORS® are one of the largest contributors to Virginia’s economy, and these victories will allow us to continue building revenue. Our association will continue our advocacy efforts, addressing issues that impact the way the industry operates.”

Virginia REALTORS® 2019 President Beckwith Bolle says, “These significant wins reflect the diligent work of our association to benefit all real estate professionals across the Commonwealth, whether in commercial, residential, or property management.”

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**About Virginia REALTORS®**

Virginia REALTORS® (previously known as the Virginia Association of REALTORS®) is the largest professional trade association in Virginia, representing more than 34,000 REALTORS® engaged in the residential and commercial real estate business. Virginia REALTORS® serves as an advocate for homeownership and homeowners, and represents the interests of property owners in the Commonwealth of Virginia. For more information, visit [www.virginiarealtors.org](http://www.virginiarealtors.org) or follow Virginia REALTORS® on [Facebook](https://www.facebook.com/REALTORSVirginia/), [Twitter](https://twitter.com/REALTORS_VA), and [LinkedIn](https://www.linkedin.com/groups/31801).

NOTE: The term REALTOR® is a registered collective membership mark that identifies a real estate professional who is a member of the National Association of REALTORS® and subscribes to its strict Code of Ethics. Top of Form