<u>**Property Transactions Provisions in the Proposed Tax Cut and Jobs Act**</u>

The proposed tax legislation has numerous provisions that impact property transactions. Among them are the following:

>Principal residence gain exclusion

- **Becomes 5 out of 8 years instead of the present 3 out of 5 years, effective for sales after December 31, 2017**
- **Only one gain exclusion every 5 years instead of 2 years**
- **Exclusion phases out if 3-year average AGI exceeds $500,000 (MFJ) or $250,000 (other taxpayers)**

>Like kind exchanges are limited to real property after 2017

>Depreciation on equipment (and some real property) acquired after September 27, 2017 is 100%

>Sec. 179 depreciation limit is $5,000,000 instead of $510,000 and phaseout does not start until $20,000,000 instead of $2,530,000 for property acquired after 2017

>Sec. 1231 and depreciation recapture provisions are unchanged

>Recapture of depreciation gain could be taxed at a lower rate for flow-through income if it is part of "qualifying business income" after December 31, 20117

Sec. 1235 "automatic" capital gain treatment for certain intellectual property is repealed after December 31, 2017

"Self-created intangibles" are defined as *not* capital assets after December 31, 2017