



Business & Tax Planning for Real Estate Professionals

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Should I Form a Business?

- Considerations
 - Tax Benefits
 - Liability Protection
 - Future Goals/Plans for the Business
 - Expense – Set Up & Annual
 - Insurance

PLLC or LLC or PA?

What is the Difference?

- **PLLC - Professional Limited Liability Company**
 - If electing to operate as an LLC, you should use the designation of Professional LLC which is PLLC since you must be licensed to work in this field.
- **PA - Professional Association**
 - A corporation which requires a license to work in this field.

PLLC or LLC or PA?

What is the Difference?

- LLC rules have changed – Now available to Realtors
- Should I change from PA to PLLC?

What Requirements Will I Be Subject To?

PA

- Annual Meeting/Minutes
- File Annual Report
- Separate Tax ID Number
- Separate Bank Account
- No Commingling of Funds!
- Choice of Taxation

PLLC

- No Annual Meeting/Minutes
- File Annual Report
- Separate Tax ID Number
- Separate Bank Account
- No Commingling of Funds!
- Choice of Taxation

Tax Benefits of S-Corporations

- Minimize Your Tax Liability
 - Protect 75-85% of your Net Income from Payroll Tax
 - Still Subject to Income Tax
- Reduce Risk of IRS Audit

Tax Benefits of S-Corporations

- Realtors Routinely Have High Risk Category Expenses
 - Auto/Mileage
 - Meals & Entertainment
 - Advertising

Deducting Business Expenses

- There are dozens of possible tax deductions for real estate professionals. Any expense for your real estate business is deductible if it is:
 - Ordinary and necessary;
 - Directly related to the business; and
 - Reasonable in amount

Tax Deductions

- Advertising expenses, including websites, mailing lists, newspaper advertising, fliers, online advertising, postcards, promotional materials, logo clothing, and anything else you pay for to market your real estate business;
- Bookkeeping, accounting and legal fees;
- Business gifts (up to \$25);
- Business Licenses and permits;

Tax Deductions

- Business meals and entertainment (only 50 percent deductible);
- Car Service for business travel i.e. Uber, Lyft, cab, etc.;
- Car and truck expenses, including business mileage, depreciation, insurance, interest on car loans, lease payments, license plate fees, parking expenses, and tolls;
- Cell phones;
- Computer software;

Tax Deductions

- Computers;
- Depreciation Expense;
- Desk fees;
- Education to maintain or improve required skills (but not courses you take to pass the real estate licensing exam);
- Furniture and Equipment;
- Home office expenses;

Tax Deductions

- Insurance, including health insurance, errors and omissions insurance, business liability insurance, and business equipment insurance;
- Interest, such as interest for business loans, interest paid on business credit cards;
- Internet access fees, hotel Wi-Fi access, Hotspots, mi-fi, etc.;
- Lead Generation Membership fees;

Tax Deductions

- Listing site fees- Zillow, Trulia, or other feature listing websites;
- Lockbox fees, apps, maintenance etc.;
- Maps and map books;
- Office supplies;
- Open House provisions- food, flowers, beverages;
- Outsourced Services i.e. staging fees, listing signs installed and removed, cleaning company for final walk through, etc.;

Tax Deductions

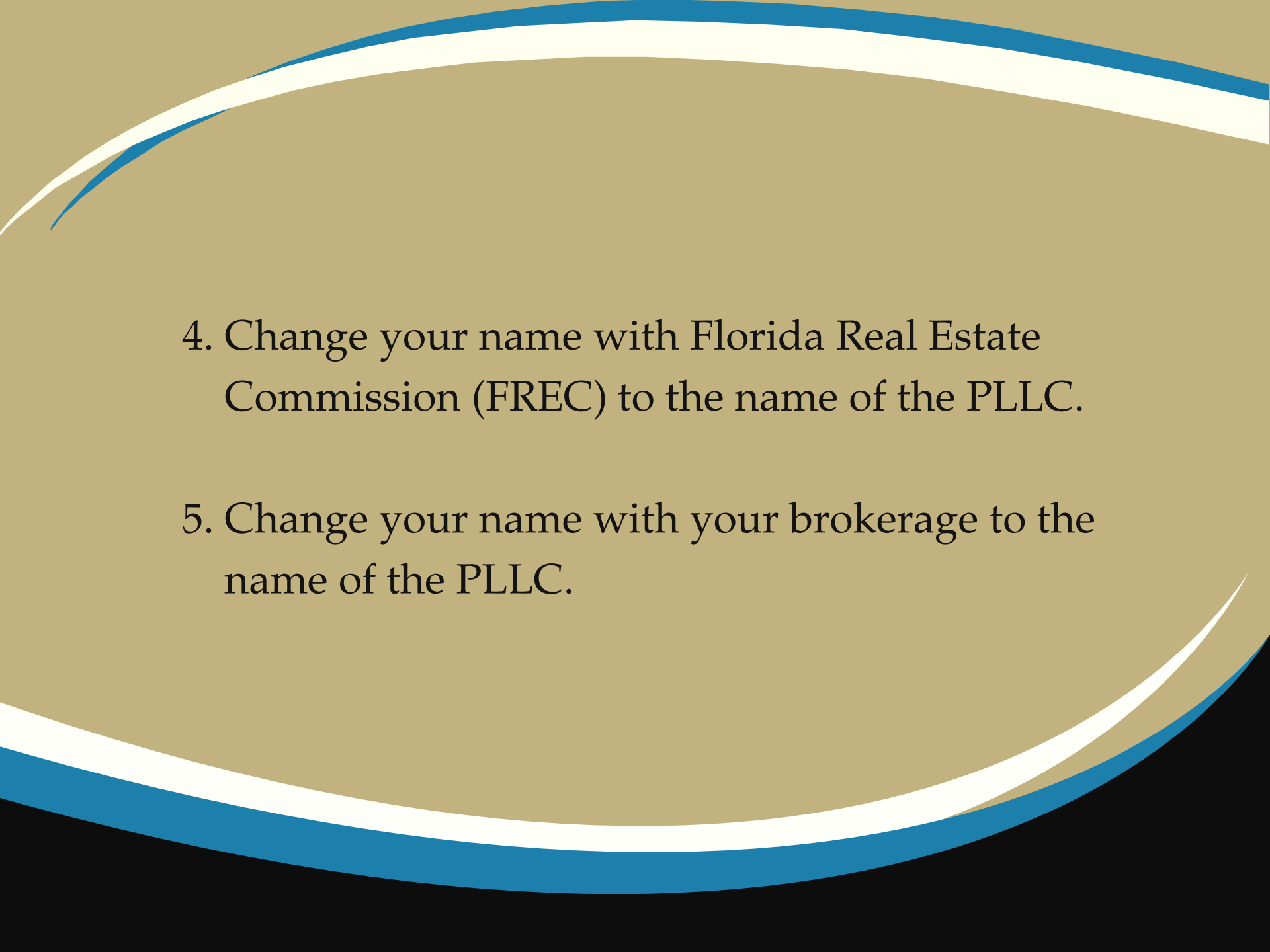
- Photography for listings, drone videos;
- Postage and delivery fees;
- Professional dues and fees - for example, MLS dues and dues paid to the local Chamber of Commerce, Realtor associations, and real estate license renewal fees;
- Referral fees and commission rebates;
- Retirement plan contributions;
- Service Charges;

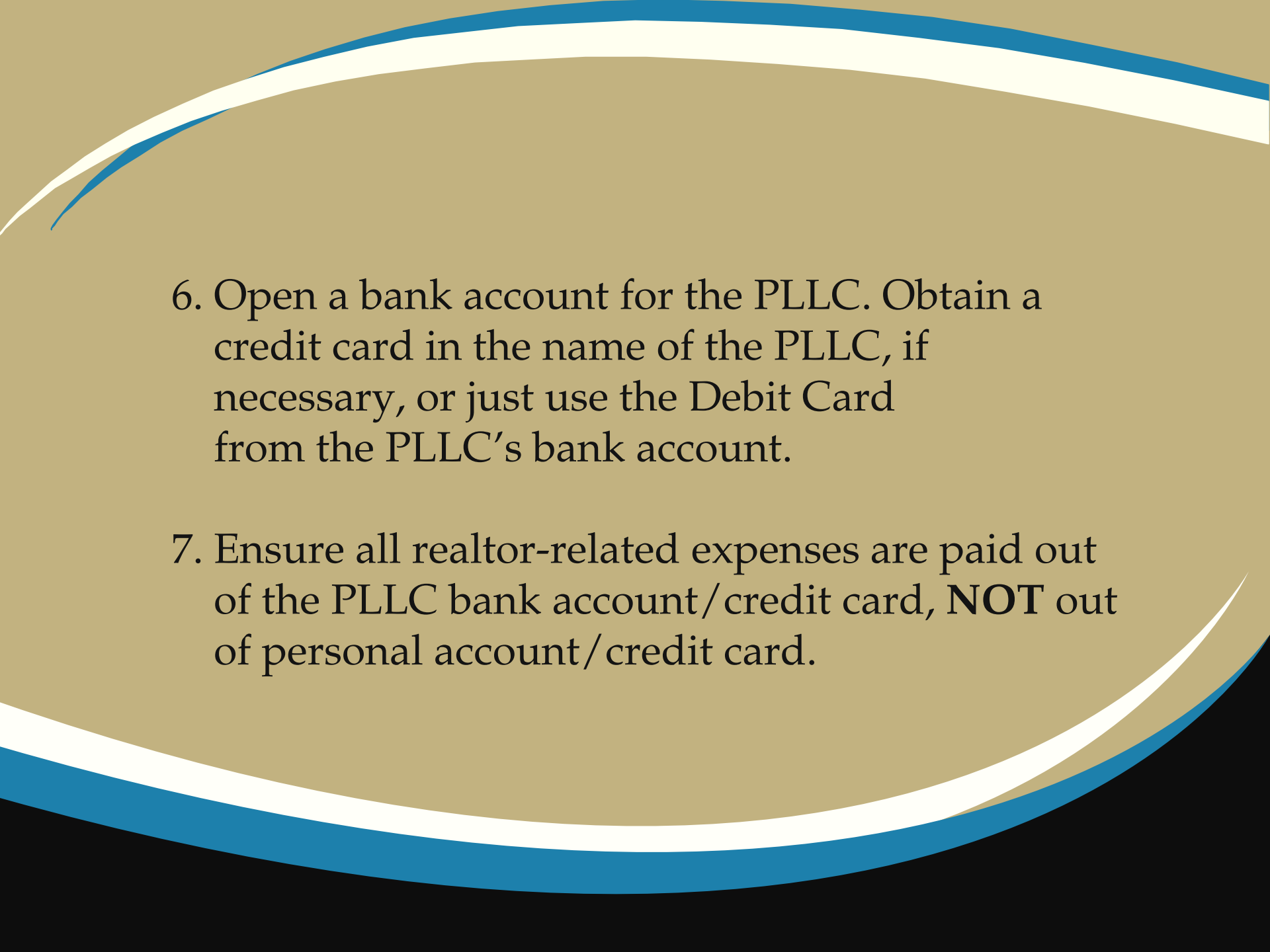
Tax Deductions

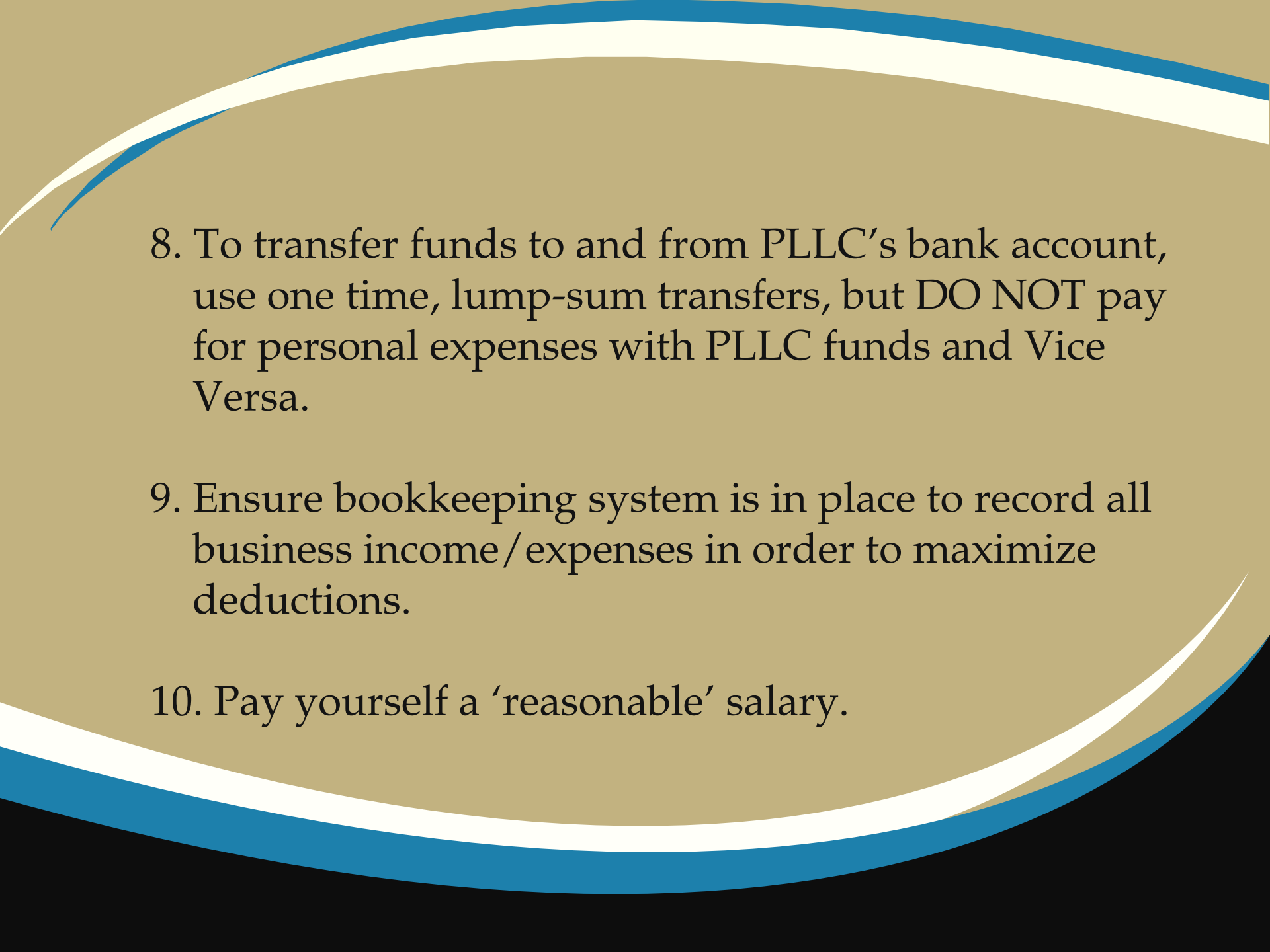
- Subscriptions to professional journals;
- Real estate franchise fees;
- Taxes, including payroll taxes for employees, state and local business taxes;
- Telephone service fees;
- Travel to business conventions, including transportation, lodging and food;
- Wages and benefits paid to employees.

Top 10 Steps to Establish Your Business

1. Form an LLC (Must use the Designation PLLC).
2. Obtain Tax ID (EIN) number for the PLLC.
3. File an election for the PLLC to be taxed as an S- Corporation.

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4. Change your name with Florida Real Estate Commission (FREC) to the name of the PLLC.
 5. Change your name with your brokerage to the name of the PLLC.

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6. Open a bank account for the PLLC. Obtain a credit card in the name of the PLLC, if necessary, or just use the Debit Card from the PLLC's bank account.
 7. Ensure all realtor-related expenses are paid out of the PLLC bank account/credit card, **NOT** out of personal account/credit card.

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8. To transfer funds to and from PLLC's bank account, use one time, lump-sum transfers, but DO NOT pay for personal expenses with PLLC funds and Vice Versa.
 9. Ensure bookkeeping system is in place to record all business income/expenses in order to maximize deductions.
 10. Pay yourself a 'reasonable' salary.

Questions?

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