**TAX SEASON IS NEAR – Let Us Help You Prepare!**

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Don’t wait to get ready for the 2019 tax season. Instead, start planning now and get a head start on the audited financial statement and tax returns that your fund or syndication will report in early 2019 for the 2018 year.

**New Legislation and the Impact of the New Tax Bill**

The Tax Cuts and Jobs Act (TCJA), passed in December 2017 and is effective beginning January 1, 2018. The TCJA includes changes in several items which will affect SBRE funds, syndications, and their related management entities. The TCJA created a new deduction for passthrough businesses, limitations on deductions for business interest expense, changes in deprecation, accounting method changes and much more.

Plan to have a year-end planning meeting with your CPA and ask:

* How do the TCJA changes affect my fund and investors?
* What additional information will you need to prepare the tax returns and Schedule K-1s?
* Are the investors in my fund eligible for the new 20% passthrough deduction?
* Can you walk me through a simple example of how the new law works in the event that I need to explain it to my investor?

**Manage Expectations and Due Dates**

The majority of small balance real estate funds, syndications, and their corresponding management companies are organized as partnerships, LLCs, or S corporations. These entities have a tax filing deadline of March 15th. The tax filing deadline for individuals and C corporations is April 15th.

Begin having discussions now with Redwood and your CPA to lay out your expectations and meet deliverables to your investors. Talk with service providers to ensure any year end reporting statements will be in the hands of your internal accounting team and Redwood no later than January 15th. It is easy to overlook small items which may slowdown the process. Try to plan for all steps within the process, including a cushion of time to print and mail Schedule K-1s or upload K-1s to a secure portal.

Determine with your audit and tax team your priority and the deliverable for each project. While Schedule K-1s are due to the investors by March 15th, the fund manager may consider extending the management company tax return. The fund manager might also have flexibility to deliver the audited financial statement to the investors after the completion of the Schedule K-1s.

**Steps to Reduce the Pressure of Busy Season**

The timeframe from year end to delivery of Schedule K-1s and audited financial statements to investors is short. Check with your audit and tax team to determine what procedures can be completed ahead of year end. Your auditor may begin interim audit procedures and testing transactions using a cut-off date for interim testing of 9/30 or 10/31.

Let your auditor and tax professional know ahead of time if there were any new or unusual transactions that they should be aware of.

* Was there a significant change in an asset value or an unusual loss which would require a valuation?
* Was there a redemption or a transaction with an investor that was out of the ordinary?
* Did your fund grow dramatically in volume or investors and will require additional work this year?
* Did your fund expand its operations in a new geographic region or doing business in a new state?

Addressing changes ahead of year end will go a long way in reducing the pressure of busy season, and ensuring timely delivery of audit and tax reporting to your fund’s investors.