YEAR-END REAL ESTATE PLANNING GUIDE

Before December 31, Know Your Numbers

Another closing can make your year. It can also change your tax picture.

This guide is designed for real estate investors, developers, sponsors, family offices, and high-earning real estate professionals who want to finish the year with fewer financial surprises. Use these 10 questions to prepare for a year-end conversation with your CPA.

1. What Have You Bought and Sold This Year?

Start with the complete transaction picture. List every significant:

☐ Property acquisition.
☐ Property sale.
☐ Partnership investment.
☐ Refinancing.
☐ Major renovation or improvement.
☐ New entity or ownership change.

Bring to your CPA: Closing statements, purchase and sale agreements, improvement records, and financing documents.

2. Do You Know Your Tax Basis?

Your original purchase price isn't necessarily your current tax basis. Improvements, depreciation, transaction costs, prior exchanges, and other activity can affect the calculation.

Before selling, ask:

☐ Has my adjusted basis been calculated?
☐ Are all eligible capital improvements reflected?
☐ How much depreciation has been claimed?
☐ What is my estimated taxable gain?

Don't wait for the closing statement to answer the tax question.

3. Is a 1031 Exchange Part of the Plan?

If you're selling qualifying investment or business real property, determine whether a 1031 exchange should be considered before closing.

Ask:

☐ Do I want to remain invested in real estate?
☐ Have I discussed the potential exchange with my CPA?
☐ Do I have a qualified intermediary involved?
☐ Have I started evaluating replacement properties?

Remember

- 45 DAYS to identify replacement property after transferring the relinquished property.
- 180 DAYS to complete the exchange, subject to the applicable tax-return deadline.

4. What Are You Buying Next?

Consider:

☐ Expected depreciation.
☐ Potential cost segregation.
☐ Planned renovations.
☐ Financing structure.
☐ Ownership entity.
☐ Expected holding period.
☐ Future exit strategy.

The structure you choose today can affect your taxes for years.

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5. What Will Your Partnerships Report?
If you own real estate through partnerships, LLCs, or investment groups, estimate what may be coming before the K-1 arrives. Ask:
☐ What income or loss do we expect?
☐ What distributions have been made?
☐ Have there been major property transactions?
☐ Will investors have sufficient distributions to cover expected taxes?
☐ Are there significant transactions planned before December 31?

Remember: Taxable partnership income and cash distributions aren't necessarily the same thing.

6. Where Are You Doing Business?
NYC real estate portfolios don't always stay in New York. List every state where you:
☐ Own property.
☐ Sold property.
☐ Have partnership investments.
☐ Conduct business.
☐ Earn significant real estate-related income.

Ask your CPA whether your activity could create additional state filing or tax obligations.

7. What Does Your 2026 Tax Projection Look Like?
Don't wait for your return to learn what you owe. Ask your CPA to estimate:

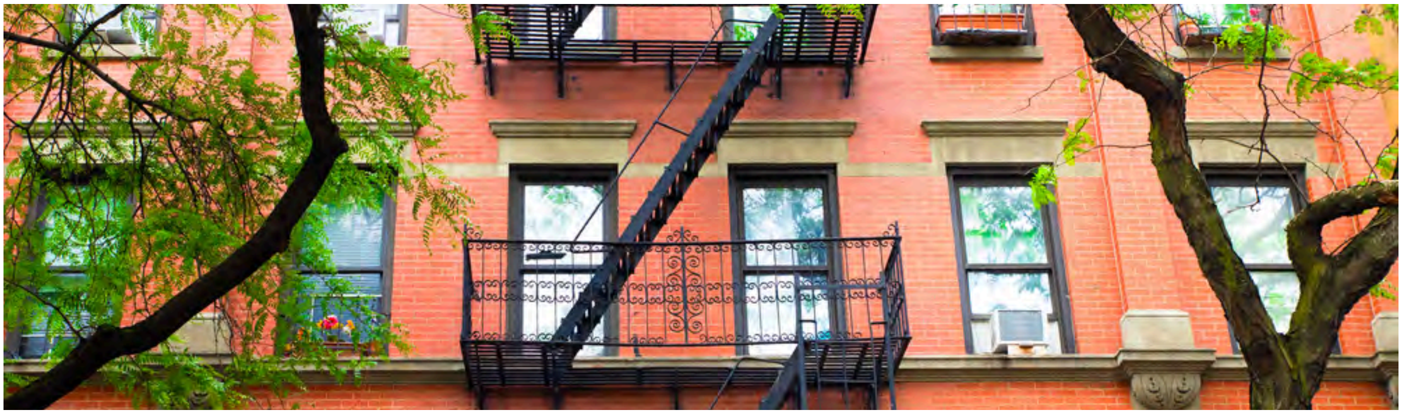
Projected taxable income: $___________
Projected capital gains: $___________
Estimated federal tax: $___________
Estimated state/local tax: $___________
Estimated payments already made: $___________
Potential balance: $___________

Then ask the most useful question: "What can still be changed before December 31?"

8. What Is Already Planned for 2027?
Tax planning shouldn't end on December 31. List transactions you're considering during the first six months of next year.

Could moving a transaction earlier or later affect your overall tax position?

Discuss timing before making the decision.



9. Does Your Real Estate Strategy Connect With Your Wealth Plan?
For family offices and high-net-worth investors, real estate may represent a significant portion of family wealth.

Consider whether changes in your portfolio should trigger conversations about:

☐ Estate planning.
☐ Gifting.
☐ Trusts.
☐ Ownership succession.
☐ Family partnerships.
☐ Liquidity.
☐ Concentrated real estate holdings.

Your property strategy and wealth strategy shouldn't operate in separate rooms.

YOUR 30-MINUTE YEAR-END REAL ESTATE REVIEW
Bring these five things to your CPA:

1. Transaction List: Everything purchased, sold, refinanced, or substantially improved this year.
2. Deal Pipeline: Transactions that could close before or shortly after December 31.
3. Partnership Update: Expected income, losses, distributions, and major transactions.
4. Tax Payment Summary: Federal, state, and local estimated payments made to date.
5. 2027 Plans: Acquisitions, sales, exchanges, financing, and other significant moves you're already considering.

Then ask: "Based on everything I'm doing this year and next, what should I consider before December 31?"

10. The NYC Real Estate Professional Year-End Review
A strong year in real estate can create a very different tax picture for brokers and other high-earning professionals.

Before year-end, review:
☐ Year-to-date commissions and other income.
☐ Expected commissions from deals likely to close before December 31.
☐ Estimated tax payments already made.
☐ Business expenses and supporting documentation.
☐ Retirement plan contributions and options.
☐ Business entity and compensation structure.
☐ Income earned outside New York.
☐ Major business purchases planned for next year.
☐ Personal investment gains or losses that could affect your overall tax position.

One more closing could materially change your projected income.

If several transactions are sitting between contract and closing, give your CPA the pipeline rather than only the deals that have already closed.

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BEFORE THE NEXT CLOSING

Real estate moves fast. Good tax planning requires a wider view.

Before your next major transaction closes, look beyond that individual deal to your portfolio, partnerships, tax position, and plans for next year.

Finish the year knowing the tax impact before you sign the closing documents.

LMJ CPAs works with real estate developers, sponsors, investors, cooperatives, condominiums, and family offices on the accounting and tax issues that accompany complex real estate transactions.

Have a year-end transaction in the works?
Bring LMJ CPAs the deal before you bring us the closing statement.

Build relationships + Earn trust + Provide value.
We think like owners and operate as strategic partners — delivering big-firm capabilities with small-firm attention.