

Investors are Already Trying to Get Ahead of Potential Federal Tax Changes

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Alex DuFour addresses the Biden administration's proposed changes to capital gains tax rules and its effect on commercial real estate investors in CoStar. Investors are strategizing following an announcement that Biden hopes to increase capital gains tax, which has resulted in an increase of the number of properties being put up for sale.

"There's been a lot of 'skies falling' talk for over a year because nothing in this framework was not anticipated," said Alex.

"But I think what was a little surprising is the amount of the rate increase. And then, effectively almost total elimination of 1031 exchanges," Alex noted about the popular tax break that allows investors to roll profits from real estate sales into similar purchases.

Part of Biden's economic American Families Plan that calls for \$1.8 trillion in spending and tax credits for provisions, the most substantial impact of the plan on real estate is the treatment of capital gains, with the present rate of 20% — the lowest in a decade — would rise to 39.6%. The plan would also remove the ability to shield capital gains above \$500,000 from taxes.

According to Alex, this has resulted in investors taking two different approaches: "One is let's see if it actually gets passed," and the other is "We have to take action now."

To read the full article, [click here](#).

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