

# 2026 Real Estate Market & Tax Strategy

Tax Law Changes, Market Trends & Strategic Planning

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# 2026 Market Landscape

## Key Market Drivers

- ▶ Significant shifts in federal tax policy
  - ▶ Gradual decline in mortgage rates
  - ▶ Fundamental changes to industry association support structures
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- ▶ Most substantial tax code changes since 2017
  - ▶ Landmark tax bill signed July 4, 2025
  - ▶ Enhanced focus on compliance and record-keeping





# Historic SALT Cap Increase

## SALT Deduction Cap Quadrupled

**\$10,000 → \$40,000**

Game-changer for high-tax regions like California

- ▶ Incentivizes itemization among homeowners
- ▶ Particularly beneficial in high-tax states
- ▶ Expected to boost real estate market activity



# Tax Law Overhaul (July 4, 2025)

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## Standard Deductions Increased

- ▶ Joint Filing: **\$31,515**
- ▶ Single Filing: **\$15,750**

## QBI Made Permanent

- ▶ Qualified Business Income deduction secured
- ▶ Long-term tax planning certainty

## New Car Interest Deduction

- ▶ **\$10,000** deduction limit
- ▶ US-assembled vehicles only
- ▶ Supports domestic auto industry





# Business Incentives Restored

## 🎯 Bonus Depreciation Reinstated

**100% first-year write-off** for equipment and technology purchases after January 19

- ▶ Section 179 expensing allows immediate deduction of business assets
- ▶ Real estate professionals: Document **750+ hours annually**
- ▶ Offset active income with rental losses
- ▶ Strategic timing of equipment purchases now critical





# IRS Reporting Changes

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## 1099-K Threshold

**Dropping to \$600**

Venmo, PayPal, third-party platforms

## 1099-MISC/NEC Threshold

**Increasing to \$2,000**

Relief for small transactions

- ▶ Cryptocurrency tracking significantly enhanced
- ▶ Stricter reporting for all crypto-related investments





# Audit Red Flags & Best Practices

- ▶ **Separate accounts:** Maintain distinct business/personal accounts to avoid co-mingling
- ▶ **Mileage documentation:** Contemporary logs required (\$0.70/mile for 2025)
- ▶ **Odometer verification:** Obtain oil changes in December/January
- ▶ **Expense justification:** Ensure expenses are 'ordinary and necessary'
- ▶ **Avoid red flags:** No excessive luxury claims

**⚠️ IRS increasing scrutiny on deductions and cryptocurrency**





# New RAD Form Requirement

## Referral Addendum Disclosure Form

California Association of Realtors mandate for complete transparency in referral compensation

- ▶ Must disclose **every detail** of compensation received for referrals
- ▶ Eliminates 'secret' payments and undisclosed arrangements
- ▶ Full transparency required for all referral relationships
- ▶ Compliance mandatory for all California real estate professionals





# Bay East Association Changes

**Effective January 30, 2026**

Bay East ends financial/staff support for local marketing groups

## Affected Groups

- ▶ Tri-City Marketing Group
- ▶ Castro Valley Marketing Group
- ▶ Pleasanton Marketing Group

## Path Forward

- ▶ Groups must become self-sustaining through sponsorships
- ▶ Option to merge or disband
- ▶ Some brokerages offering free venues to maintain networking





# Strategic Tax Planning Paths

## Path 1: Tax Minimization

- ▶ Maximize business expenses
- ▶ Lower net income
- ▶ Reduce tax burden
- ▶ Optimize deductions

## Path 2: Income Justification

- ▶ Show higher net income
- ▶ Qualify for larger loans
- ▶ Contribute to retirement
- ▶ Build long-term wealth

## Retirement Contribution Limits

- ▶ Up to **\$70,000** (or 25% of income) to self-employment retirement accounts
- ▶ **Ages 60-63:** "Super Catch-Up" provision with additional **\$11,000**





# Interest Rate Environment

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## Jumbo Loan Rates Declining

**6.0% → 5.875%**

Zero-point loans stimulating buyer demand

## Market Response

- ▶ Properties in **\$1.1M - \$1.2M range** attracting 50+ buyers at open houses
- ▶ **Bond market** (not Federal Reserve) remains primary driver of rate movements
- ▶ Increased buyer activity expected to continue through 2026





# Down Payment Assistance Programs

## Zero-Down Options

- ▶ Second mortgage for 3% down at ~6.75% rate
- ▶ 600+ credit score required

## CalHFA "Dream for All"

- ▶ **20% down payment** via equity-share arrangement
- ▶ State receives 20% of appreciation
- ▶ Limited to first-generation homebuyers
- ▶ **Lottery selection: April 2026**

## Alameda County Program

- ▶ Annual lotteries: **May & September**
- ▶ Additional local assistance opportunities



# Immediate Action Items

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- ▶ **Tax Planning:** Meet with CPA to optimize SALT deductions and QBI strategy
- ▶ **Record Keeping:** Implement mileage tracking system immediately
- ▶ **Account Separation:** Open dedicated business banking account if needed
- ▶ **RAD Form:** Review referral agreements for compliance
- ▶ **Equipment Purchases:** Plan Q1 2026 purchases for bonus depreciation
- ▶ **Client Education:** Inform buyers about down payment assistance programs
- ▶ **Retirement Planning:** Maximize 2026 contributions (especially ages 60-63)



# Thank You!

Questions?

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