Biden Tax Proposal Would Squeeze Apartment-Building Owners

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The Biden proposal has yet to become part of a bill and passed by Congress. But property investors already view it as the latest threat to their business after the pandemic undercut many of the biggest real-estate categories. Widespread work-from-home policies have reduced office demand while travel restrictions have hurt hotel owners.

Now, commercial real-estate professionals say the proposed tax limit would cap large transactions and be a disincentive to real-estate investment. It could also reduce economic activity that is typically generated by the real-estate sector, such as employment in the construction trades hired to renovate properties, they say.

“If properties don’t flip, it’s going to impact other industries as well,” said Marc Wieder, co-leader of the real-estate group at the Anchin accounting firm.

Apartment buildings have been popular investments with groups of doctors, lawyers, and small-business owners who pool their funds to acquire multifamily buildings. These holdings usually provided steady income and sometimes qualified for a 1031 exchange.

But during the pandemic, many owners found the rent payments were less than reliable. Now, the Biden plan is trying to do away with the favorable tax treatment. The twin blows mean this long-popular property investment could fall out of favor with the professional class.

Read the full article on The Wall Street Journal