GET REAL

San Antonio Board of REALTORS® REAL ESTATE PODCAST

Episode 28: Tax Tips

Let's be honest -- REALTOR®S face an ever-changing industry. With emerging tech, growing trends, and a booming market, it's vital to keep up. Join me, Gilbert Gonzalez, CEO for the San Antonio Board of REALTOR®s, as I get real with experts on what REALTOR®S need to know about this industry. It's time to get real.

JH (00:23):

Hey, there everyone. I'm Janice Hernandez, Vice President of Communications and Marketing in for Gilbert Gonzalez. Today, I'm talking with Michael Guertin, a Certified Public Accountant and founder of Aperto, an accounting firm that is dedicated to helping small business owners achieve their long-term financial outcomes. He's here to talk with us about good habits that will help small business owners thrive. Welcome, Michael. We're so happy to have you on

MG (00:50):

Thank you, Janice. Glad to be here.

JH (00:51):

So, before we start digging into some of the deeper things around taxes, tell me a little bit about what are some of the things that our REALTOR®s need to know about the current state of the IRS?

MG (01:06):

Yeah. yeah, the IRS is not in a good condition right now. So historically it's an organization that's been underfunded with antiquated systems and understaffed. And so COVID 19 really pushed all those things over the, and they, the IRS was shut down for quite a bit longer than, than most of the rest of us, I think. And at the height of the pandemic I mean, literally piles and piles of paper were, were being stacked up. You know, the USPS dumping tax returns, checks from people, everything into big rooms and they weren't getting processed. And so, the backlog continues. And as of the end of the year, there were approximately 6 million unprocessed returns from 2020, which is crazy. There were about 2.7 million unprocessed amendments. I mean, these are staggering numbers. And last year, the IRS was so overwhelmed by phone calls.

MG (02:06):

And I'll talk a little bit more about some of the letters that are going out because, you know, every time the IRS sends an automated letter, then someone wants to call in and deal with that, right. They get upset; they get nervous. They got so many phone calls that they only were able to answer 11% of all their calls last year. It's crazy numbers and it's getting better, but it's, it's still pretty bad. And so, there's a feedback log. There's a lot of collection notices going out to people. So, what happens is, say we had the winter storms last year and the extended the, our due date got extended, but it got extended past everybody else's into June. And so that messed up with extensions, right? So, what started happening is people may have filed an extension, then filed their tax return.

MG (02:52):

And those two things went, got processed out of order. That causes a notice, to which the IRS says, hey, you filed your return late, it wasn't extended. You say, no, I tried to call the IRS, they don't answer. And it's a big mess, right? And so, the IRS is trying to address it by putting a bunch of extra staff on backlog. So, they like assign 1200 people to try to process some of these returns, but that's kind of crazy, right? Cuz we're in tax season again. Officially kicked off about four weeks ago and they've already told us it's gonna be the worst one yet. So, what I encourage REALTOR®S to do, and we're gonna get into some of this in just a minute, is to try to make sure you stay on the straight and narrow path, right? Make sure you don't get into any deviations where when you're, when the process works like it's supposed to, and your return goes electronically and they accept it electronically, I'm getting people getting their refunds in four or five days, that kind of stuff. It works the way it's supposed to. The second that it deviates because we don't do something right, it goes into this purgatory where they're completely behind. They can't answer the phone. So, we wanna try to avoid these things. And I'll kind of give a few tips on how we do that. As we, as we progress here.

JH (04:05):

Well, I, I mean, it sounds like it's already an overwhelming time. Not only if you are a new REALTOR® in the business, if you're a veteran REALTOR® you, you continue to experience some of these overwhelming things when it comes to tax seasons. So, can you tell us some of the basics that, that someone would need to know when, when they're look, looking at their small business tax, tax documents?

MG (04:28):

Yeah, I think, I think let's just start there, right? Let's, let's start from the lens of I'm a new REALTOR®. You are a business owner now, whether, I know you probably hear it, you might hear it in your REALTOR® orientation, hear from your broker. You're a business owner. So, you already, so a new, the newest thing for you is you gotta file schedule C right? You have a brand-new schedule in your tax return you never had before. It's, it's more complicated than you're used to, and it's got more responsibilities, right? You're getting a 1099 from your broker. So that's a whole new thing where that 1099 you, the first you gotta do is make sure it's correct. It, mistakes happen. I've got seasoned REALTOR®S that have been doing this a long time, but their 1099's are messed up and they have to go back and work it out with the broker.

MG (05:11):

And that's a process, takes time. So that's the first thing you do is go match up your 1099 to your actual collections in the bank, see if it agrees, right? You, you now have to generate a profit and loss. Like what's, what's a profit and loss, right? Well, you're responsible for knowing what your income was and what all your expenses were. And many of you may have been exposed to something that someone provided you, like a cheat sheet of how to collect your expenses and some of you haven't. What we do is we, we provide, we have a, we call it a REALTOR® expense worksheet. And over time we've crafted a, an expense worksheet for REALTOR®s that kind of works like how you work, right? So, you have costs related to getting a deal done. You might have HOA transfer fees, listing costs, staging photography.

MG (05:54):

So we'll have that. We'll have the things where you're caring for yourself, do subscription, CE licensing, all that stuff, your, your dues. And then the things that you're doing to maintain the home office. So you gotta capture all this, right? Because you're, if you're going to a tax professional, if you're going to turbo tax and filling this out, no one's gonna do it for you. It's gotta come from somewhere. So, you're to, to, to file taxes, you need your 1099, you need a profit and loss that explains, you know, how much you made and how much you spent in all these different categories, just so you can fill out schedule C, right? And then there are some things you probably should be aware of that are new for this year. One is your meals are a hundred percent deductible. So, your meals with your clients where you took them for lunch into between showings, the meals that you had to, to work on your business, your working meals, or maybe your strategy meals with a spouse or another REALTOR®, those were a hundred percent deductible this year for 2021 and for 2022.

MG (06:51):

And that's something that was enacted a year ago to kind of spur the restaurant industry. So, watch that just to make sure we're seeing some nuance in, in the time software, around you're, you're having to be very attentional to, to code it as a hundred percent write-off cause the old write-off is 50%. So that's important. Two other new things, and this was kind of trying to keep you in the straight and narrow with the IRS. Most of us got a third stimulus check last year, in the beginning of the year in the first quarter. And then some of us that have kids have been receiving since July, these advanced child tax credits and, and both of those programs are one contributing to the backlog and problems at the IRS. And two being reported very messy from the IRS.

MG (07:37):

So, for either of those things, assuming you haven't moved, and the IRS knows where you are, you should be getting letters. Okay. So the, so rule number one is what we're asking our clients to do is, hey, we want to see the letter. You got a letter from the IRS, dig it up. If you tossed it or you didn't get it, then we ask our clients to log into the IRS website and find the information. And you, you need to, if you're married, you gotta both do that because they're splitting these amounts up. Like I've seen situations where the advanced child tax credit gets a portioned, 70% to mom and 30% to dad. We need to know, because if we don't put the right numbers in, or you don't put the right numbers in, when you file your return, that's gonna cause it to go into this holding pattern where someone's gotta look at it.

MG (08:21):

And just to, I mean, we still have clients in that holding pattern from last year right now, even though they file electronically. And we think it's probably because one of those members was incorrect. So that's another thing you have to watch in return problem. But every year, the things you have to watch or making sure you're not kind of standing out like a sore thumb. And so, one of the biggest write-offs for REALTOR®S is mileage. It's also the number one audit to the area on the schedule C by the IRS, because it's the number one abused area. So, what we try to tell folks is if you haven't been tracking your mileage through a mileage app, start, *inaudible*, QuickBooks has a mileage app. There's lot, there's lots of choices, but find what you like and that you'll use and use it.

MG (09:05):

Cuz you need something that's gonna prove when your trip is business related versus personal. And by the way, that's another thing a REALTOR® needs to understand that's new. You gotta track everything. So when you report your schedule C, you gotta tell them I told, I drove 20,000 miles last year, right? And how many of them were for business? How many of them are commuting? You have to tell them everything, it's very transparent, which is also risky for you. So that's another thing, you know, being able to track that and, and, and keep your mileage logs. So

JH (09:34):

I, Michael and, and I, we know every year we all have to do our taxes, right? REALTOR®S have to do their taxes, but if you have long term goals, there's other things that a REALTOR® needs to consider. So, when you first meet with a REALTOR®, what is the first thing that you need to know to help them?

MG (09:53):

Yeah, so I've worked with real REALTOR®s for a while. And so part of any good business owner's job is to understand their, their audience, right. To understand who their customer is. And so we have kind of tried to identify the psychology of the REALTOR® over time. We've developed what I call the REALTOR® life cycle. And so what, what, what that is for us is that we basically about have four stages of REALTOR®s. We have new REALTOR®s that are new to the market, which we kind of talked about trying to help them a little bit here. We have what we call REALTOR®s that are growing. And so, they're, they're, they're closing more deals per year and, and getting some traction in real estate, building their, their book of business and referrals. Then we have what we call successful REALTOR®s. And those are the REALTOR®S that have kept the point where their real estate business drives their family's income, right?

MG (10:42):

Like they live off of this business now. It becomes very real for them, right? Because they have to, this is what's gonna drive and pay the bills and fund to retirement and all that. And then we have what we call legacy REALTOR®s who have really been doing this a while. They start to get to know the platinum groups, they, they're very visible. They might even be passing this down generationally or have come from another generation of REALTOR®s. And so, the first thing we do is say, well, where are you on this continuum? Because it's gonna tell me a lot about what you've been exposed to and what you haven't, right. And so we, we tend to meet a lot of REALTOR®s in the growing stage and the success stage, whether starting to have some financial pain in and around their taxes. There's two truths that I try to preach to REALTOR®s, right?

MG (11:27):

There's a lot of things we can do that you need to do that we need to do to help you stay compliant. So that you can focus on the things that are important, selling, growing, nurturing, that kind of thing that are relational. But one is you can't lose your expenses, right? Like, so you, you, you gotta keep track of 'em cuz what's gonna happen for the new REALTOR® is they're gonna try to do their tax return. And let's just say, you're listening to this podcast, and you go, well, Michael said I need a P and L, let's do that. Let's get it done. And you're gonna go, well, shoot, I gotta pull this together from somewhere. Right. I gotta I'll start with my base statements. Oh, I'm not sure that counts everything. Let me go to my, my credit card. Whoops, Venmo, what, what did I use?

MG (12:03):

Right. Apple pay. And you gotta pull all this together. So the first thing we teach is don't lose your expenses. And the, and the way we encourage you is to connect, to, to have one bank account you use and one credit card, right? And that way, let's just say you don't tr keep track all year long. You now have only two places to look. And in most cases, you can download a whole years' worth the transaction for your bank. And if your credit card company's nice, they give you a little pie chart that has color coded, Hey, it's not accurate, but it's at least something. And you know, you're not in the dark looking for that. So that's kind of rule one, don't lose expenses. And two is don't get behind on your taxes. And a very simple way to keep from getting behind on your taxes is to save money from every close.

MG (12:48):

So, what we practice or what we preach, and we try to enforce the practice of is, is saving 20 percent of every net commission. So when that commission comes in and, and the there's lots of different techniques, it could be a savings account. It could be, there's lots of different savings account men mentality, pay yourself, you know, pay your vacation, pay your future. We say, take 20% instead of the 5. And that, that's to cover your taxes and to cover your retirement, if possible, right. But that's gonna be very difficult for a young REALTOR®, right? Cause when you're, when you have cash flow, that's inconsistent and you're not closing enough deals to actually cover your living expenses. You know, you're supplementing your income some other way. Then you can't set aside 20%. You may need the first two closings to pay off the credit cards or to catch up on, on this or that.

MG (13:36):

And that's okay. So then as soon as you can try to take 5% of the next close instead and set it aside, and maybe two closings later, you're, you're taking 10. So you're we, what we don't want is to, is a problem to, to regenerate and get bigger and bigger and owe the IRS money. They're the best debt collector in the US. So we don't want them and we do people's pay. So we know we're familiar with garnishments and stuff. We don't want to see our clients in those situations. So I think it starts there. So we, we look at the life cycle we, we try to apply the two basic principles you know, so that, that, that, those REALTOR®s, those should be palatable. Right? And then you can action some other things from there that, then we start talking about this concept of perfecting the tax savings.

JH (14:21):

So, dive into that a little bit.

MG (14:25):

So perfecting I'm, I'm kind of a nerd when it comes to stuff like this acronyms and, and then thinking ahead about how you can make this palatable for people build programs around it. So perfect is a way that I was able to organize my thoughts around how do you get your tax bill as low as, as legally and humanly possible? There's a series of steps you take, right? So perfect is there's like several different activities you go through, if I can count, right. I hope I can. I'm I'm an accountant. The first thing you gotta do is picture taxes differently. Right? So, what we, what we teach REALTOR®s is to say, look, it's not okay, cuz the REALTOR®s gonna go, let's just pretend I'm that young REALTOR®. And Michael said, find my 1099, check. it's, it looks right. Create a P and L check it's as good as it's gonna get.

MG (15:15):

And I put it in TurboTax. The REALTOR®'s probably gonna feel pretty proud of themselves. Right. And I did a good job and, and, and, and I think that's fine. And, and accountants think that way, right? So, we think we took what you gave us and we put it in there and it's in the right place as we did a good job. And the accountants says that's an A plus return. But I want the REALTOR® to, to have a different judging criteria. I want them to say, no, I'm not happy with where everything is. I'm fine with that. I'm unhappy with the outcome, which is I paid way too much in taxes. Right? And so, I use an expression, I call tax efficiency, which is kind of the relation of how much money you keep versus how much you're paying back. And so, in theory, so you have 20% that you're paying taxes to the IRS.

MG (15:58):

We're trying to get that number down. And the efficiency up, we want that 80% to become 81 to become 82. So, you're taking home more of your money. So, the first thing is picture it differently P right, and then get disgusted and then do something about it. So, the second thing that's, the easy win is to elect the correct structure. So, a very common structure for a REALTOR® or a service-based business is a, an LLC tax as sub chapter S corporation. That's crazy talk, and we're not gonna get into all what that means now, but what it does is saves you tons of money. It comes with a bunch of responsibilities and, and, and new compliance requirements and new costs to be frank. It, it's not cheap, but it saves you money. The whole thing saves you money. So, we try to get 'em into a structure that saves them money, right?

MG (16:47):

And then we start working down this perfect redefine your income is ours. How do you pay yourself? Right? You wanna pay yourself in a way that has the least amount of tax consequences associated with it? When you're a schedule C filer, you're quote unquote, paying yourself, what's left over. It's taxed. It's it's, it's not double taxation. It's not a fair thing to say, but it's super taxation. Let's call it that. Cause you're paying social security and Medicare times two, REALTOR®s don't know this. But if you make a hundred thousand dollars profit, let's all pray for that. Right. I make a hundred thousand dollars profit in my business after all these write-offs. And let's say I'm in the 25% bracket that doesn't exist, but it's round. You actually pay another 15.3% in taxes, just about on social security and Medicare. So that hundred thousand of dollars at a 25% tax rate at 15% more is taxed at 40%.

MG (17:41):

You, and this is not a real number, but you'd be paying in concept $40,000 back in taxes, which is outrageous. That's the wrong type of way to make your money. Okay. So, we try to make sure we, we redefine how you're making it. That's what the S Corp helps us do, but there's other ways to, so that's another thing. The next thing we wanna do is fund your retirement. Okay. We gotta start paying our future selves, right? And, and it comes from today's money. And if you've heard anything about money and how money works the earlier you pay in the better. So if you're, if you're a legacy minded person, you gotta start thinking about paying it forward for your kids, right? And the sooner you do that, the better off they are. So they don't have the same struggles we did, right. Next, we want to talk about capturing our expenses.

MG (18:26):

That's the fee. No, I missed E that's engaging your fringe benefits. So, and REALTOR®s should be able to appreciate that some of the most successful REALTOR®s find a way that you're seeing things that are branded, you know, and they're always, they, you find a way to intertwine your business life and your personal life, such that you legally write off those things that are fringe benefits for you through your business. And there are ways to do that. And there's, there's, there's certain types of things you should be looking to do to, to reduce your tax bill and kind of pull some of those expenses in as business expenses, that's fringe benefits. Then we talk about C is capturing it, right? So really I told you that really belongs in the beginning, but it doesn't, you can't spell for effect for the C in the beginning. So goes here.

MG (19:09):

And then the last thing is the T is talk to your advisor, but this methodology is audible and progressive. So you could be doing, I use, I like I talk about retirement. Retirement has more than one level, right? You could be getting to the fund, your retirement piece and start with a, an IRA kick $6,000 a year into a 6,500, whatever the limit is for that year. But that's just scratching the surface. You might then say, okay, well, I can get a set IRA, you know, because I'm self-employed and I could tuck a bunch of money into there. And now I'm, I'm getting into a new Strato here where I can put in, well, then I might graduate to a solo 401k, or maybe I hired a transaction coordinator and I want to pay 'em a wage and we need a safe Harbor for 401k.

MG (19:54):

And we can both contribute to this thing. And it keeps getting, you can go up and up and you can do that with almost any, not so much structure, but a lot of these buckets, there's a lot of different things you can keep doing. And going back to the life cycle, what happens is, as you're maturing, you're wanting to pull more levers, right? You're wanting to take new tools out of the toolkit to save you some money, because every dollar you save, you're reinvesting either in yourself or your business or your future. And so, you know, we, the Perfect concept is, is almost mission. It's like a mission-oriented concept, right? We gotta deploy this thing and have those structure in place and, and train and educate REALTOR®s on it so that they are saving as much of their money as possible to reinvest it, however they want to.

MG (20:35):

That's the key. And so you asked me, well, how do we, how do we talk to a new REALTOR®? We gotta first start by saying, where are you? The second step is like, where are you going? Right. Are you looking at real estate as a, as a, as how you're gonna build generational wealth? Are you looking at it to, you know, to invest yourself and flips, like you see your, your clients do, right. Are you looking to do short term rentals, long term rentals? What are you looking to do? Are you trying to get a certain number? Let's, let's find out what that looks like, and then what we're supposed to be doing along the way is making sure we're marching towards that objective, right? Making good long-term decisions, even that short term sacrifices sometimes to make sure that you're gonna get where you want to go. That's perfect. I could go on and on about this stuff. I'm real passionate about it, but it, I think it, we see it saving REALTOR®s, tons of money.

JH (21:27):

Well, I, and, and when you talk about structure, what, what came to my mind was the current environment, right? So, we have a very competitive housing market. We have the pandemic. How has that impacted taxes, how someone should consider filing their taxes, especially in the last two to three years that we've seen all these changes.

MG (21:49):

Yeah. I mean, that, that's a great question. I would say as a fundamental rule, I would say this, I don't subscribe to whims. And so I think that outside forces to our business are just that, right. Using simple examples, some forces are a little more critical than others. So if you were in a heavy investment strategy, I mean, I had clients that literally just got their first Airbnb and then the pandemic hit. And so now they're sitting on a mortgage that they weren't anticipating. I mean, they were convinced, right? This is in a prime location, we're coming into rodeo, but all this stuff about to happen. All these, you know, this thing is gonna be booked up and the, the darn thing was vacant. Right. And you couldn't put anyone in it, travel restrictions. And then, you know, all the stuff that came with it, self-quarantine, all these things, it wasn't months later until they were able to turn that into a midterm or longer-term thing, they had traveling nurses staying there.

MG (22:46):

And so, they had to, to rethink how you did it. So, I don't think that the situations necessarily inform the decision, but there are some exceptions. Like if you started a restaurant business two months before the pandemic, you likely didn't survive, right. Real estate was not one of those things. I was worried early on. And, and I remember early in the pandemic, I mean, we do quarterly payroll, a lot for REALTOR®s. And here it is the end of the first quarter, like, oh God, I usually with a REALTOR®, we get into rhythms and we'll pay, they pay themselves the same amount. Every quarter. Sometimes it'll fluctuate up and down. Sometimes REALTOR®s get into a pinch. And maybe that first quarter that's usually slow. They have to bring it back a little bit and say, I don't really have the cash. So I'm gonna pull back my wage.

MG (23:26):

But most times people pay themselves something. They don't go with a donut, right. And there I was going, man, I wonder how many people are gonna be scared right now, and be holding under the cash. And I was surprised that it wasn't as many as I thought it would be, but that's a real thing. Right. So we were all sitting there. How the heck do we show houses? Right. I think it's about, it's, it's really about being adaptive. Cuz what I found through the whole experience. Now we're two, two years through this experience. The beginning of it you know, last year with multiple offers really was hard, right? Cause you're doing a lot of leg work and it kind of comes back to another philosophy I had, which is at the end of the day, if you stay right with the IRS and you're saving your money as you, you go along and you follow my basic principle of use the, you know, traffic expenses by only using certain methods, then you don't have to stop and worry about those things.

MG (24:21):

You don't have to worry about a letter coming from, from the IRS and you owe money. You don't have to worry about setting up a payment plan when times get tough because you've done the basic things so that you can focus all your energy on what you're talking about. How do I handle multiple offers? Should I be changing? Okay, the inventory is tight. Do I need to partner up with someone? Hey, if it's getting tight, do we need to think about that? Should I be working with another REALTOR®, REALTOR® in sharing a transact coordinator? Should we be backing each other up in case one of us gets COVID. Being able to leverage yourself as a business owner to respond to the demands of the exterior pressures by not having to focus on your internal stuff is key. And that's how I run my business. I don't assume, like we're in a market right now

MG (25:08):

it's very difficult to hire. The prices are through the roof. The expectation is most people are gonna be remote. They think they, they pretty much think they can now. And I think they're right. And so it's changed the dynamic of how you hire, but a lot of my peers will take a sunken attitude about it and say, you just can't hire. And I think that's a ridiculous notion. I think you just have to be more creative in how you do it. You might have to consider more outsourcing your breaking stuff into smaller pieces. Right. And that's the encouragement that I would have for REALTOR® is that you, you know, if you look at the legacy REALTOR®s on our list, you go, well, how did they handle it? They handle the burst, right? They handle the, the, the, the downturn in 08. How did they make it through? They have rental properties that were vacant, how did they handle it? And you'll find that success leaves clues. And there's a way through, no matter kind of what the exterior pressure, I know that's kind of long-winded but, and I hope I gave you some kind of decent answer.

JH (26:02):

No, that's, that's great. No, and it makes a lot of sense. I think, you know, when you and I were talking about this and how important it is to do things right, but also to do things early, that way, you know, your finances are already set prior to, you know, any of these changes taking place and, and kind of being on track. So talk a little bit about that. It is important to do things right. And do them early, right?

MG (26:30):

Yeah. I agree. I mean, I I'm, I can keep using the pandemic as an example. I think it taught us a lot. Right. I remember kind of giving some talks, maybe three or four months into the pandemic. And we were got, we had gotten past the point of talking about PPP loans and all that stuff that, that REALTOR®s really cared about, unemployment, all this stuff. But then we started talking about use of cash, right? And some people were coming to me that maybe had a little more cash than, than they, than they were expecting because their, their portfolio didn't slow down. Once they figured out they could virtually show and do these things. Well, we had to start talking then about being careful, right. You're talking about being early. It's like, Hey, cuz when you, in that example, say that someone said, Hey, I got extra cash.

MG (27:11):

I think I wanna pay off all my credit cards. I go, wait a minute. We wanna be thoughtful about that. Once you pay the credit cards off, your cash is gone, the credit card companies are never gonna give it back. Right. And let's just say that it does dry up or let's say there's an another version of this thing. And then two months and we get locked down again. Do you have the cash set aside to live through that 60 day period, if you just paid off all your credit cards, you know, and are you gonna be able to put everything back on the credit cards? You know, so sometimes it's about looking ahead a little bit and just being smart. Cuz that's the funny thing Janice, is you can actually mature to the point where you have money built up in savings, where you're paying yourself in retirement, where you're doing all these things and, and, and you can kind of scale that back when things go bad, right?

MG (27:53):

Cash stops. Well, I'll just stop funding my retirement for a while or maybe I'll draw down my savings a little, but if you've never gotten those things done, you don't have anything to draw from. And so REALTOR®s are edgy people. I think by nature, they're very creative in sales oriented. They're very outgoing and they're not lent as much to security and safety as much as other people are in other industries, much, you know, maybe my industry. And I think sometimes you just gotta step out of that bubble. Make sure you're talking to someone that pushes you to do those things because the more security you put in place for yourself, the easier it is to make changes and to weather storms. Cause the REALTOR®s that won't survive economic downturns of busts or I mean, we've been so fortunate here in central Texas. I mean, I can't remember how much the housing market dropped, but it couldn't have been more than like 6% when it was dropping 40% Vegas and whatever, you know, doing these huge changes.

MG (28:52):

So we've been fortunate here, but we won't always be that fortunate likely. And you have, I mean, if you don't have these basic things taken care of, then, then those are the REALTOR®s that are gonna find themselves out at real estate. I had someone hit me up this morning who we just, we had a great year last year and we set him up in the S Corp cuz it's the right thing to do. And he's literally, I don't know what his situation is, but he is come back to me and says, Hey, I don't think Real Estate's gonna be my focus this year. Do I shut it down? And to me that's a very, it's a boomerang effect, right? It's like, whoa, we're kind of jerking our head back and forth and that's not a practice, a way to be successful.

JH (29:29):

It's very important. I think for our members to, to understand this because I think that's one of the biggest concerns is especially for the newer REALTOR®s where they're starting out and they have all these questions about, you know, filing and then the right way to do it and what are the options out there for them. Right. And so you're helping us answer all those questions. I did also have a question for you. I mean, how do you foresee the backlog in the future when it comes to the IRS? I mean, is this going to be an issue that's going to trickle down into the next three – five years? I mean, or is it something that you think will eventually, you know, catch up?

MG (30:09):

So this is probably, so my answer is it's, it's a real problem that's not getting better. So I could go back to where I started and tell you all the statistics. Here's another one I found the other day that made me really sad is that the IRS had 5,000 tax processing positions opened. And there's a, there's a group called the taxpayer advocate who's a separate entity outside. They're not part of the IRS. They're funded by the government to be a watch dog and be an advocate for, for everybody, people like us, right. And they gave us the house of over oversight committee. No, it wasn't house oversight. It was, it was, it was one of the committees at the house. They gave a, a state of the union, basically the IRS. And on that note alone, the 5,000, only 127 positions were filled.

MG (31:00):

And the problem is the IRS is paying crappy wages, asking to do crappy things. There's mandatory overtime now. So if you think about it, I just explained the great awakening and the great resignation has told us that we could work for anybody anywhere. If we have the skills, why would people wanna go work for the IRS? If they've got antiquated systems, they know they can't answer the phone for everybody. I mean, it's a real problem. And people in my profession are quitting the profession because of it. If they focus, we don't focus just on cash, right? We focus on all the things that, that, that support it. And so if all I did was tax prep, it would be a very depressive environment. So, I think it makes it more important to be working with people who understand how to navigate that. And I gotta tell you, even my season REALTOR®s, they, they, it lose their lunch.

MG (31:45):

When they get a letter from the IRS that certified saying they're gonna seize their property and it's unwarranted. And there's literally not, there's nothing we could do about it besides wait. Cause the truth will come out. It'll get straightened out eventually. So, I hate to be gloom and doom about it, but it's a real problem that's going to it, the fix is that there's gonna have to be a ton of money put into it. And between wars overseas and winding down pandemics here and all that stuff, it's just like, is it getting the attention it deserves? I'm not sure. It affects all of us. And so our lobby and our industry groups have, have made a concerted effort to start getting the word out. They're getting on all of the, the news they're, they're trying to get us to tweet our representatives, to use Facebook posts for our representatives to let them know, Hey, this will impact us.

MG (32:34):

We need y'all to fix this. One of the very simple fixes they did, I haven't shared yet is we asked for a list of things, right? And one of the things was stop sending the stupid notices. Like if, you know, there were two things, major things we asked for is like, if you know, it's taking you 190 days to, to get to a correspondence from one of us, then you can't keep us tied to a 30 day notice window. You need to make the window line up with how long it's taking you to respond. They didn't address that. But what they did is they turned off some of the notices. So, for a client who got a letter that said, we're about to seize your property, they're gonna not get that letter going forward until, I mean, they stopped those, like as of about a week and a half ago, the IRS said, we're gonna stop sending those, those notices, notices, certain notices

MG (33:21):

that's scaring the bee jeebies out of everybody because we can't even address them anyways. And even though the client has probably done all the right things at this point to try to resolve it, it's stuck with them. So those are little things they can do. But the real answer is system upgrades, people upgrades. I mean, it's kind of concerning. I tell my client stay electronic. I, God bless some of them want to write a check and send it to the IRS. First of all, I don't trust the postal service to deliver it. Second of all, when I hear stories about checks being in piles, I don't think that's a good thing. So I try to encourage my clients to be as electronic as possible. You gotta get comfortable with that. That's another thing. If you get into real estate, you better get used to electronic means, right? Signing documents, electronically, all the virtual stuff, get comfortable with it. If you, if your attitude is I don't trust the internet, then you might, you gotta figure something else out. Cuz I'm just saying, I'd rather, you know, the IRS touched my bank account and pulled the money out than the check got lost. And then they started sending me letters, you know? So, but it's not, it's just not looking good over there, unfortunately.

JH (34:24):

Yeah. I, I can't, I can't see how that would be fixed anytime soon by the sounds of it. So, but Michael, is there anything else that you would like to add? That's important that I may, may have not asked?

MG (34:35):

No, but I'll say this. I'll just say as, as a, as a parting word, don't, don't worry about the gloom & doom, I don't, and I do this for a living. The real estate market's great. I, I've been doing this a while and I continue to see people thrive and build wonderful futures for themselves and their families in real estate. And it, I'll tell you, regardless of what could throw at 'em the REALTOR®s who are determined, continue to generate results year after, year after year. So, it's a great industry to be in. And we're here to support REALTOR®s any way we can, you know, on the finance side of things.

JH (35:06):

Well, Michael, I mean this wraps up today's podcast, but I wanna thank you so much for being with us and providing us such great advice and insight. Thank you.

MG (35:15):

Thank you, Janice.

Thanks for listening to Get Real! Be sure to subscribe for future episodes and share us with your friends on Facebook, Instagram, and Twitter. More information on this episode can be found at sabor.com/getreal. Until next time!