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Net Leases and Sale-Leasebacks

A Guide to Legal, Tax and Accounting Strategies

2018 Edition

By Ken Miller

Net Leases and Sale-Leasebacks: A Guide to Legal, Tax and Accounting Strategies covers all aspects of the ownership, financing, documentation, taxation and accounting for net leases with a focus on those areas where the treatment of net leases differs from the treatment of other forms of real estate investment. Given their unique characteristics, net leases may be regarded as belonging to their own asset class, and the real estate professionals practicing in this field need to be familiar with the distinct issues that may arise.

The Tax Cuts and Jobs Act of 2017 made significant changes to tax provisions affecting net leased property. For the 2018 edition, the author has extensively revised chapter 5, Tax Considerations, to clearly explain the relevant changes. Key topics include **bonus depreciation** under I.R.C. section 168(k), the holding period for a **carried interest** and its interaction with section 83, the **limitation on the deduction of interest**, and the deduction for **qualified business income**.

The book also provides guidance on the proper structuring of sale-leaseback transactions, as well as guidance on recently adopted changes to U.S. financial accounting rules for leases (effective for fiscal years beginning after December 15, 2018) under which all leases with a term exceeding one year will have to be reflected on the tenant's balance sheet. Possible structures for avoiding on-balance sheet treatment for the tenant are explained, as it has been estimated that the new accounting treatment of leases will add \$2 trillion to the balance sheets of U.S.-based corporations.

Also included are several appendices to assist the reader with the nuts and bolts of net leasing practice, such as **Calculating Expected Variability of Returns Under GAAP** and a **complete sample Net Lease**.

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