

## **Tax Loopholes Sanders Intends to Close:**

### **Exemption for real estate from passive loss rules. (Section 469)**

The passive loss rules, enacted as part of President Ronald Reagan's Tax Reform Act of 1986, generally bar taxpayers from using losses from a business the taxpayer is not really involved in to offset active income. An exception was made for real estate, meaning Trump can use his real estate losses to offset any other income, whether it is book royalties or compensation for starring on the Apprentice.

### **Exemption for real estate from at-risk rules. (Section 465)**

Also enacted as part of the Tax Reform Act of 1986, the at-risk rules bar taxpayers from claiming losses for investment beyond the money they put in or that they are directly liable for. Again, real estate was largely exempted, meaning Trump could claim losses exceeding what he actually invested.

### **Like-kind exchanges. (Section 1031)**

Usually capital gains on property are taxed when the property is sold, but taxpayers can swap pieces of property of the same type and claim that they have no gain to report to the IRS because there was technically no sale. The exchanges are often a sham because they often involve vastly different properties.

### **Debt and Depreciation.**

Under current law investors can combine tax breaks for borrowing with tax breaks when an investment rapidly loses values. So an investor like Trump can borrow money to make an investment, take deductions for the interest he pays on the debt and take deductions if the property depreciates.